

# Inspector General

United States  
Department of Defense



FY 2006 and FY 2007 DoD Purchases  
Made Through the Department  
of the Interior

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### **Acronyms**

|         |   |
|---------|---|
| D&F     | Determination and Findings                        |
| DFARS   | Defense Federal Acquisition Regulation Supplement |
| DOI     | Department of the Interior                        |
| FAR     | Federal Acquisition Regulation                    |
| FMR     | Financial Management Regulation                   |
| FPDS-NG | Federal Procurement Data System-Next Generation   |
| GAO     | Government Accountability Office                  |
| GSA     | General Services Administration                   |
| IG      | Inspector General                                 |
| MIPR    | Military Interdepartmental Purchase Request       |
| O&M     | Operations and Maintenance                        |
| RDT&E   | Research, Development, Test, and Evaluation       |





INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704

March 19, 2008

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,  
TECHNOLOGY, AND LOGISTICS  
UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF  
FINANCIAL OFFICER  
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL  
MANAGEMENT AND COMPTROLLER)  
NAVAL INSPECTOR GENERAL  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Report on FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior (Report No. D-2008-066)

We are providing this report for review and comment. The Department of the Army did not respond to the draft report; however, we considered comments from the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer; the Department of the Navy; and the Department of the Air Force on a draft of this report in preparing the final report. Although not required to comment, the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics also provided comments on the draft report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. Therefore, we request that the Department of the Army provide comments on Recommendation A. by April 21, 2008.

If possible, please send management comments in electronic format (Adobe Acrobat file only) to [AudACM@dodig.mil](mailto:AudACM@dodig.mil). Copies of the management comments must contain the actual signature of the authorizing official. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, they must be sent over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Questions should be directed to me at (703) 604-9201 (DSN 664-9201) or Mr. Terry L. McKinney at (703) 604-9288 (DSN 664-9288). See Appendix G for the report distribution. The team members are listed inside the back cover.

A handwritten signature in black ink, reading "Richard B. Jolliffe", is centered below the text.

Richard B. Jolliffe  
Assistant Inspector General  
Acquisition and Contract Management

cc: Inspector General, Department of the Interior



## Department of Defense Office of Inspector General

Report No. D-2008-066

(Project No. D2007-D000CF-0039.000)

March 19, 2008

### FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior

#### Executive Summary

**Who Should Read This Report and Why?** DoD contracting officials, program managers, and financial managers should read this report because it discusses contracting and funding issues related to DoD procurements made through an outside agency. The audit identified 336 potential violations of appropriation law.

**Background.** This report is the second on DoD purchases made through the Department of the Interior (DOI). We performed this audit as required by section 811, "Internal Controls for Procurements on Behalf of the Department of Defense," of Public Law 109-163, "National Defense Authorization Act for Fiscal Year 2006." We conducted this audit in conjunction with another audit being performed by the DOI Inspector General. The audit focused on whether purchases of supplies and services made by DOI on behalf of DoD were made in accordance with applicable laws and regulations. Specifically, we examined the policies, procedures, and internal controls to determine whether DOI and DoD properly used and tracked funds, and whether DOI complied with Defense procurement requirements. The audit also focused on whether DOI had improved on problems identified during the prior audit.

The audit focused on two DOI contracting centers that procure supplies and services for DoD:

- GovWorks, located in Herndon, Virginia, which is a franchise fund authorized by the Government Management Reform Act; and
- Southwest Acquisition Branch, National Business Center, a working capital fund, located at Fort Huachuca, Arizona.

From October 2006 through February 2007, DOI awarded 14,820 contract actions totaling \$2.6 billion for other governmental activities. Of those contract actions, GovWorks awarded 6,606 contract actions, valued at \$943 million, and the Southwest Acquisition Branch awarded 1,753 contract actions, valued at \$628 million, on behalf of DoD. Contract actions awarded on behalf of DoD represent about \$1.6 billion (56.4 percent) of the contract actions awarded by DOI.

**Results.** DoD and DOI did not comply with laws and regulations. Specifically,

- DOI contracting officials did not award contract actions on behalf of DoD in accordance with the competition requirements, including Public Law 107-107, "National Defense Authorization Act for Fiscal Year 2002"; Federal Acquisition Regulation Subpart 8.4, "Federal Supply Schedules"; and Defense Federal Acquisition Regulation Supplement 208.405-70, "Additional Ordering

Procedures” requirements. Inadequate competition led to pricing problems because contracting officials did not support price reasonableness decisions, in particular when only one offer was received. Contract actions for products tended to have more problems with competition and price reasonableness than contract actions for services. Accordingly, DoD continues to have no assurance that it is obtaining best value for its funds. Acquisition Executives for the Army, Navy, and Air Force should make program and contracting offices aware of a recurring lack of competition and price reasonableness deficiencies and implement an enforcement program to prevent future deficiencies (finding A).

- DoD customers continued to permit GovWorks to retain and use funds that had expired. Violation of the bona fide needs rule and other financial rules resulted in 336 potential funding violations. During our prior review, we found 21 potential funding violations at GovWorks. During the current audit, we initially provided the Under Secretary of Defense (Comptroller)/Chief Financial Officer a list of 338 potential violations. The Under Secretary of Defense (Comptroller)/Chief Financial Officer then took actions to review the potential violations. The Under Secretary of Defense (Comptroller)/Chief Financial Officer sent each DoD activity its potential deficiencies and asked for an accounting. Three hundred and three potential violations were deemed bona fide needs rule violations and were fixed by accounting corrections. The remaining potential violations are either being formally investigated or determined not to be Antideficiency Act violations. GovWorks also continued to bill DoD in advance of work performed (finding B).

DoD internal controls over management of appropriated funds were not adequate. We identified material internal control weaknesses pertaining to DoD management of appropriated funds, DOI continued use of expired funds, and DOI continued billing of DoD in advance of work performed. Based on the severity of the funding and contracting problems at GovWorks, we recommended during the audit that the Under Secretary of Defense for Acquisition, Technology, and Logistics should not initiate new interagency agreements in excess of \$100,000 at GovWorks until DOI establishes acquisition and funding controls to resolve these severe inadequacies. Conversely, we recommended that DoD continue to use the Southwest Acquisition Branch for its procurements when DoD management concludes that it is in the best interest of DoD. Other recommendations to the Under Secretary of Defense for Acquisition, Technology, and Logistics that will fix deficiencies identified in this report are contained in DoD Inspector General Report No. D-2007-007, “FY 2005 DoD Purchases Made Through the General Services Administration,” October 30, 2006. Recommendations to the Under Secretary of Defense (Comptroller)/Chief Financial Officer to address funding policy and the remaining potential funding violations are included in a separate report.

**Management Comments and Audit Response.** The Office of Under Secretary of Defense for Acquisition, Technology, and Logistics; the Under Secretary of Defense (Comptroller)/Chief Financial Officer and the Acquisition Executives for the Navy and Air Force provided comments on our draft report.

The Acquisition Executives for the Navy and Air Force concurred with the recommendation. Their comments were responsive to recommendation.

Although not required to comment, the Director of Defense Procurement and Acquisition Policy provided comments on behalf of the Office of the Under Secretary of Defense for

Acquisition, Technology, and Logistics. The Director of Defense Procurement agreed with the recommendation and stated that DoD will continue to work with the Military Departments and Defense Agencies to address long-term solutions to the recommendations.

The Under Secretary of Defense (Comptroller)/Chief Financial Officer concurred with the recommendation. The Deputy Chief Financial Officer stated that DoD notified DOI of DoD's policy on advance payments and of the requirement to return all existing advance payments. DOI deobligated and returned \$209.5 million during FY 2007. The comments were responsive to the recommendation.

We request that the Department of the Army provide comments on the final report by April 21, 2008. See the Findings section of the report for a discussion of the management comments and the Management Comments section of the report for the complete text of the comments.





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## Background

We performed this audit to meet requirements of section 811, “Internal Controls for Procurements on Behalf of the Department of Defense,” of Public Law 109-163, “National Defense Authorization Act for Fiscal Year 2006,” January 6, 2006. Section 811 states:

“(a) INSPECTOR GENERAL REVIEWS AND DETERMINATIONS.—

(1) IN GENERAL.—For each covered non-defense agency, the Inspector General of the Department of Defense and the Inspector General of such non-defense agency shall, not later than March 15, 2006, jointly—

(A) review—

(i) the procurement policies, procedures, and internal controls of such non-defense agency that are applicable to the procurement of property and services on behalf of the Department by such non-defense agency; and

(ii) the administration of those policies, procedures, and internal controls; and

(B) determine in writing whether—

(i) such non-defense agency is compliant with defense procurement requirements;

(ii) such non-defense agency is not compliant with defense procurement requirements, but has a program or initiative to significantly improve compliance with defense procurement requirements; or

(iii) neither of the conclusions stated in clauses (i) and (ii) is correct in the case of such non-defense agency.

(2) ACTIONS FOLLOWING CERTAIN DETERMINATIONS.—If the Inspectors General determine under paragraph (1) that the conclusion stated in clause (ii) or (iii) of subparagraph (B) of that paragraph is correct in the case of a covered non-defense agency, such Inspectors General shall, not later than June 15, 2007, jointly—

(A) conduct a second review, as described in subparagraph (A) of that paragraph, regarding such non-defense agency’s procurement of property or services on behalf of the Department of Defense in fiscal year 2006; and

(B) determine in writing whether such non-defense agency is or is not compliant with defense procurement requirements.

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(d) LIMITATIONS ON PROCUREMENTS ON BEHALF OF DEPARTMENT OF DEFENSE.—

(1) LIMITATION DURING REVIEW PERIOD.—After March 15, 2006, and before June 16, 2007, no official of the Department of Defense may, except as provided in subsection (e) or (f), order, purchase, or otherwise procure property or services in an amount in excess of \$100,000 through a covered non-defense agency for which a determination described in paragraph (1)(B)(iii) of subsection (a) has been made under that subsection.

(2) LIMITATION AFTER REVIEW PERIOD.—After June 15, 2007, no official of the Department of Defense may, except as provided in subsection (e) or (f), order, purchase, or otherwise procure property or services in an amount in excess of \$100,000 through a covered non-defense agency that, having been subject to review under this section, has not been determined under this section as being compliant with defense procurement requirements.

(e) EXCEPTION FROM APPLICABILITY OF LIMITATIONS.—

(1) EXCEPTION.—No limitation applies under subsection (d) with respect to the procurement of property and services on behalf of the Department of Defense by a covered non-defense agency during any period that there is in effect a determination of the Under Secretary of Defense for Acquisition, Technology, and Logistics, made in writing, that it is necessary in the interest of the Department of Defense to continue to procure property and services through such non-defense agency.”

This report addresses the second review of the Department of the Interior (DOI). We performed the second review because both DoD and DOI were not compliant with procurement laws and regulations during our first review. To comply with the “National Defense Authorization Act for Fiscal Year 2006,” the DoD Inspector General (IG) and the DOI IG reviewed contract actions made by DOI on behalf of DoD. We reviewed contract actions at two DOI contracting activities: GovWorks and the Southwest Acquisition Branch.

**GovWorks.** GovWorks is a franchise fund in Herndon, Virginia, authorized by the Government Management Reform Act of 1994 (Public Law 103-356). This Interior franchise fund was established by Public Law 104-208 and the fund life was extended through September 2007 by Public Law 110-5. In October 2005, DOI transferred the management and oversight of GovWorks from the DOI Minerals Management Service to the DOI National Business Center.

**Southwest Acquisition Branch.** The Southwest Acquisition Branch, National Business Center, is part of a working capital fund authorized by section 1467, title 43, United States Code (43 U.S.C. 1467). The Southwest Acquisition Branch is located at Fort Huachuca, Arizona. The contracting

center was initially known as the Directorate of Contracting Mission Team and was operated by the U.S. Army Intelligence Center and Fort Huachuca. The contracting center was transferred from DoD to DOI on January 14, 2001. Although the Southwest Acquisition Branch is a working capital fund and may choose to operate under working capital rules, it has elected to operate under the Economy Act. Therefore, Government customers to the Southwest Acquisition Branch must follow special rules pertaining to the Economy Act provided in the Federal Acquisition Regulation (FAR) Subpart 17.5.

**Interagency Purchases Made Through DOI.** From October 2006 through February 2007, DOI awarded 14,820 contract actions totaling \$2.6 billion for other governmental activities. Of those contract actions, GovWorks awarded 6,606 contract actions, valued at \$943 million, and the Southwest Acquisition Branch awarded 1,753 contract actions, valued at \$628 million, on behalf of DoD. Contract actions awarded on behalf of DoD represent about \$1.6 billion (56.4 percent) of the contract actions awarded by DOI. Table 1 identifies the FY 2006 interagency contract actions made through DOI. Table 2 identifies the FY 2007 interagency contract actions made through DOI, as of February 2007.

**Table 1. FY 2006 Interagency Contract Actions Made Through DOI**

| DOI Contracting Center | FY 2006 DOI Contract Actions | FY 2006 Total DOI Dollars | FY 2006 DoD Contract Actions | FY 2006 DoD Dollars       |
|------------------------|------------------------------|---------------------------|------------------------------|---------------------------|
| GovWorks               | 9,206                        | \$1,403,869,809.69        | 6,107                        | \$886,849,620.84          |
| Southwest              | 3,584                        | 817,237,626.76            | 1,576                        | 577,337,927.15            |
| <b>Total</b>           | <b>12,790</b>                | <b>\$2,221,107,436.45</b> | <b>7,683</b>                 | <b>\$1,464,187,547.99</b> |

**Table 2. FY 2007 Interagency Contract Actions Made Through DOI (Through February 2007)**

| DOI Contracting Center | FY 2007 DOI Contract Actions | FY 2007 Total DOI Dollars | FY 2007 DoD Contract Actions | FY 2007 DoD Dollars     |
|------------------------|------------------------------|---------------------------|------------------------------|-------------------------|
| GovWorks               | 1,696                        | \$264,320,518.03          | 499                          | \$56,589,764.74         |
| Southwest              | 334                          | 85,266,457.31             | 177                          | 50,755,189.18           |
| <b>Total</b>           | <b>2,030</b>                 | <b>\$349,586,975.34</b>   | <b>676</b>                   | <b>\$107,344,953.92</b> |

## Objectives

Our overall audit objectives were to examine the policies, procedures, and internal controls to determine whether DoD had a legitimate need to use DOI,



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whether DoD clearly defined requirements, whether DOI and DoD properly used and tracked funds, and whether DOI complied with Defense procurement requirements. We also examined how DOI accepted and fulfilled the DoD requirements. See Appendix A for a discussion of the scope and methodology. See Appendix B for prior audit coverage related to the objectives.

## **Review of Internal Controls**

We identified material internal control weaknesses as defined by DoD Instruction 5010.40, “Managers’ Internal Control (MIC) Program Procedures,” January 4, 2006. The Defense Components’ internal controls for processing funding documents, such as Military Interdepartmental Purchase Requests (MIPRs), were not always adequate to ensure that funds were properly obligated. Defense Components did not always define requirements with sufficient specificity to meet legal requirements for forming valid obligations. Additionally, Defense Components did not always follow the bona fide needs rule when acquiring goods and services, which could potentially violate the Antideficiency Act. We discuss these problems in detail in finding B. Recommendations on internal controls will be made in a separate report. Senior officials responsible for internal controls in the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer will receive a copy of the report.

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## A. Contracting Problems

DOI contracting officials continue to award contract actions for DoD purchases in a sole-source environment and in many instances without following the competition regulations. Competition problems led to price reasonableness problems. Contract actions awarded as General Services Administration (GSA) Federal supply schedule orders for products tended to have more problems with competition and price reasonableness than orders for services. Of the 43 contract actions reviewed, we identified the following problems:

- limited competition involving only one offer (20 of 43 contract actions, or 47 percent);<sup>1</sup>
- inadequate competition (15 of 43 contract actions, or 34 percent);<sup>1</sup>
- inadequate price reasonableness determinations (14 of 43 contract actions, or 32 percent);<sup>1</sup> and
- inadequate support for use of time-and-materials contract actions (3 of 6 contract actions, or 50 percent).<sup>1</sup>

Inadequate competition for contract actions awarded as GSA Federal supply schedule orders occurred because contracting officials believed that once they submitted a request for quote on GSA e-Buy, they had satisfied the competition requirements regardless of the number of quotes received. Inadequate competition also occurred because contracting officials were not aware of recent changes to the Defense Federal Acquisition Regulation Supplement (DFARS) requiring contracting officials to obtain three quotes before awarding GSA Federal supply schedule orders for supplies. In three situations, contracting officials were not involved in the competition process at all. Instead, contracting officials left the competitive process up to the DoD requiring activities and furniture dealers to seek vendor quotes. Price reasonableness problems occurred because contracting officials did not adequately document and support price reasonableness decisions, in particular for contract actions awarded after only one offer was received. Accordingly, DoD continues to receive no assurance that it is obtaining best value for its purchases made by DOI.

### Contract Actions Reviewed

Our review included 43 DOI contract actions awarded for DoD purchases at two DOI contracting activities: GovWorks in Herndon, Virginia, and

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<sup>1</sup> Judgement sample percentage does not generalize to universe.

Southwest Acquisition Branch at Fort Huachuca, Arizona. The value of these contract actions was \$47.6 million. The contract actions represented awards using numerous contract mechanisms including GSA Federal supply schedule orders, multiple-award orders, broad agency announcement contracts, Section 8(a) contracts, and a purchase order. For each contract action, we reviewed selected issues including competition and price reasonableness decisions. For services, we also reviewed Government reviews of contractor proposals and Government cost estimates. Table 3 identifies the different contract mechanisms reviewed and the number of competition and price reasonableness problems found.

**Table 3. Contract Mechanisms Reviewed**

| Contracting Approach               | Contract Actions Reviewed | Inadequate Competition | One Offer | Inadequate Price Reasonableness Determinations |
|------------------------------------|---------------------------|------------------------|-----------|--|
| GSA Federal Supply Schedule Orders | 27                        | 14                     | 12        | 11   |
| Multiple-Award Orders              | 7                         | 1                      | 5         | 1  |
| Broad Agency Announcement          | 6                         | 0                      | 0         | 0  |
| Purchase Order                     | 1                         | 0                      | 1         | 1  |
| Section 8(a)                       | 2                         | 0                      | 2         | 1  |
| <b>Total</b>                       | <b>43</b>                 | <b>15</b>              | <b>20</b> | <b>14</b>                                      |

## Criteria

**FAR Subpart 16.2, “Fixed-Price Contracts.”** This section states that firm-fixed-price contracts are suitable for acquiring commercial items when the contracting officer can establish fair and reasonable prices at the outset, such as when:

- (a) There is adequate price competition;
- (b) There are reasonable price comparisons with prior purchases of the same or similar supplies or services made on a competitive basis or supported by valid cost or pricing data;
- (c) Available cost or pricing information permits realistic estimates of the probable costs of performance; or
- (d) Performance uncertainties can be identified and reasonable estimates of their cost impact can be made, and the contractor is willing to accept a firm fixed price representing assumption of the risks involved.

**FAR 16.601, “Time-and-Materials Contracts.”** This section states that a time-and-materials contract may be used only when it is not possible at the time of placing the contract to accurately estimate the extent or duration of the work or to anticipate costs with any reasonable degree of confidence.

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**FAR 13.106-3, “Award and Documentation.”** This section states that before awarding contracts, the contracting officer must determine that the proposed price is fair and reasonable.

**FAR 15.402, “Pricing Policy.”** This section states that contracting officers must purchase supplies and services from responsible sources at fair and reasonable prices.

**FAR 15.406-3, “Documenting the Negotiation.”** This section states that the contracting officer must document in the contract file the principal elements of the negotiation agreement including documentation of fair and reasonable pricing.

**FAR Part 10, “Market Research.”** This section requires that agencies use the results of market research to determine the sources capable of satisfying the agency’s requirements.

**FAR 8.405, “Ordering Procedures for Federal Supply Schedules.”** This section states that before placing an order, ordering activities must consider reasonably available information about the supply or service offered under multiple-award schedule contracts by surveying at least three schedule contractors through the GSA Advantage on-line shopping service, or by reviewing the catalogs or pricelists of at least three schedule contractors.

**FAR 16.505(b), “Orders Under Multiple Award Contracts.”** This section requires contracting officers to provide each awardee a fair opportunity to be considered for each order exceeding \$3,000 issued under multiple delivery-order contracts or multiple task-order contracts.

**DFARS 216.505-70, “Orders Under Multiple Award Contracts.”** This section requires competition for orders exceeding \$100,000 unless the requirement is waived based on a justification that is prepared in accordance with FAR 8.405-6.

**“The National Defense Authorization Act for Fiscal Year 2002,” Section 803.** Section 803 places stringent competition requirements on contracts for services awarded using Federal supply schedules. It requires contracting officials to compete Federal supply schedule orders for purchases of services in excess of \$100,000 or justify waivers of this requirement.

**DFARS 208.405-70, “Additional Ordering Procedures.”**  
DFARS 208.405-70 implements Section 803 of the “National Defense Authorization Act for Fiscal Year 2002.” It requires contracting officials to obtain at least three quotes for Federal supply schedule orders for purchases of services in excess of \$100,000 or justify waivers of this requirement. DFARS 208.405-70 also applies to orders placed by non-DoD agencies on behalf of DoD. Initially DFARS 208.404-70 applied only to orders for services. In March 2006, it was revised as DFARS 208.405-70 and now also applies to orders for supplies.

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## Summary of Contracting Problems

Of the 43 contract actions examined, 26 (60 percent)<sup>2</sup> had one or more of the following problems: inadequate competition, unsupported price reasonableness determinations, inadequate review of contractor-proposed costs, inadequate Government cost estimates, and lack of support for using time-and-materials contracts. Contract actions for products tended to have more problems than contract actions for services. Conversely, during our previous audit, contract actions for services had more problems than contract actions for products. See Appendixes D and E for a list of these problems identified by contract action number.

## Competition

The best method for the Government to determine that the prices it pays for products and services are fair and reasonable is to make awards on a competitive basis. Full and open competition ensures cost effectiveness and reduces the potential for favoritism and conflicts of interest. Inadequate competition occurred for 15 of 43 contract actions reviewed, of which 14 were GSA Federal supply schedule orders and 1 was a multiple-award order. For 3 of the 14 GSA Federal supply schedule orders, contracting officials purchased furniture after receiving three offers; however, contracting officials were not involved in requesting and obtaining offers but instead left it up to DoD requiring office officials and furniture dealers to obtain the quotes for them. We questioned the adequacy of competition for the furniture purchases because contracting officers were not involved in the competitive process. For the multiple-award order, contracting officials did not follow the fair opportunity procedures of FAR 16.505(b).

**Federal Supply Schedule Orders Valued At More Than \$100,000.** DOI contracting officials awarded 27 of the 43 contract actions reviewed using GSA Federal supply schedule orders. Of the 27 orders, 18 orders were valued in excess of \$100,000. According to DFARS 208.405-70, contracting officials are required to obtain three quotes for orders valued at more than \$100,000. If contracting officials do not receive three quotes, they are required to determine in writing that despite reasonable efforts to do so, the contracting officials could not identify any additional contractors that could fulfill the requirements. The documentation should clearly explain the officials' efforts to obtain offers from at least three contractors.

For 8 of the 18 orders, GovWorks contracting officials did not follow DFARS 208.405-70 requirements, including 2 orders for services that did not follow Section 803 requirements. Competition sections of award summaries contained nonspecific information that did not show contracting officials' efforts to obtain three quotes. For three of the orders, contracting officials stated they had complied with FAR Subpart 8.4 when competing the orders.

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<sup>2</sup> Judgement sample percentage does not generalize to universe.

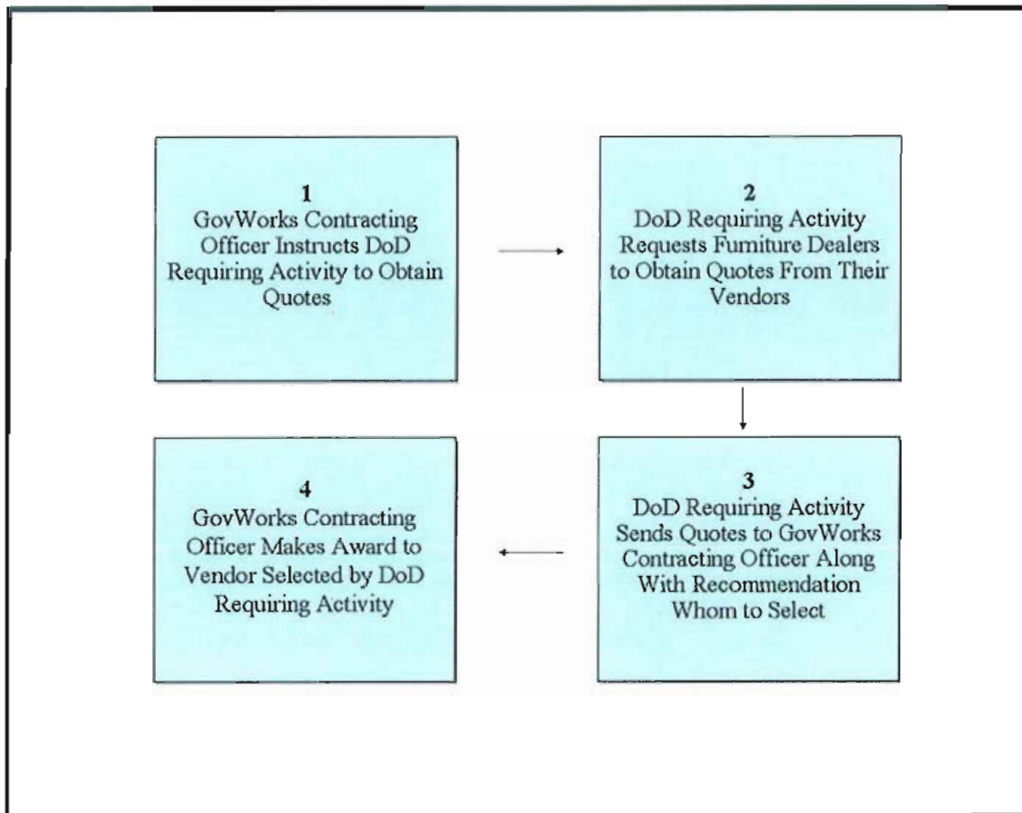
However, they should have cited and followed DFARS 208.405-70, which requires contracting officials (including those from non-DoD agencies) to obtain three quotes for orders valued at more than \$100,000. Table 4 includes wording from the award summaries for five of the eight orders. The wording emphasizes compliance with regulations as opposed to maximizing competition. The remaining three of eight orders were related to furniture purchases and are explained in detail immediately following Table 4.

**Table 4. Review of Competition of GSA Federal Supply Schedule Orders Valued at More Than \$100,000**

| Order No.  | Information Contained in Award Summary   |
|--|--|
| <b>GovWorks</b>  |  |
| 66683<br>\$532,540.00<br>Body Armor                              | GSA procurement conducted in accordance with FAR 8.4. Posted to GSA e-Buy, with closing date of November 27, 2006. <u>Two offers</u> received. Sent to client for approval.  |
| 66987<br>\$1,354,186.79<br>Teradata Test & Development Equipment | GSA e-Buy brand name or equal procurement conducted in accordance with FAR 8.4. Posted to GSA e-Buy as brand name or equal, with closing date of January 8, 2007. <u>One offer</u> received. Sent to client for review.  |
| 66417<br>\$1,158,561.00<br>Radios                                | GSA e-Buy brand name or equal procurement conducted in accordance with FAR 8.4. Posted to GSA e-Buy as brand name or equal, with closing date of October 18, 2006. <u>One offer</u> received.  |
| 66268<br>\$288,461.54<br>Programming Support Services            | To increase competition and interest in the project, the request for quote was issued through the GSA's e-Buy system so all interested schedule holders could provide a quote. The request for quote was also e-mailed directly to select contractors. <u>Two offers</u> received.                       |
| 66184<br>\$421,080.43<br>Develop & Build PDK Kit                 | The contracting officer determined that the subject requirement was within the scope of GSA's LOGWORLD schedule, 874V. The requirement was posted on e-Buy and six companies expressed an intent to submit quotes via e-mail, but only [vendor name omitted] and [vendor name omitted] submitted quotes. |

**Furniture Purchases.** GovWorks contracting officials awarded three GSA Federal supply schedule orders (66856, 66854, and 66452) for furniture purchases. Three vendors submitted quotes for each of these orders. On the surface, it appears that adequate competition occurred for these orders because three offers were obtained, as required by DFARS 208.405-70. However, we questioned the adequacy of competition for these awards after learning that GovWorks contracting officials were not involved in the competitive process for these awards. Instead, contracting officials relied on DoD requiring offices and furniture dealers to obtain the quotes for them. The following figure illustrates the process contracting officials used to obtain offers for the three orders.





### Competition Related to Three Purchases of Furniture

When we questioned a GovWorks contracting official on his practice of using DoD requiring activities and furniture dealers to obtain vendor quotes, he stated that it was “streamlined acquisition.” Due to time constraints, we did not determine whether these three furniture orders were isolated cases or part of an overall GovWorks strategy for purchasing furniture on behalf of DoD. However, we did determine that GovWorks awards substantial dollar amounts for the purchases of furniture on behalf of DoD. In FY 2006, GovWorks awarded 898 contract actions, valued at \$33,298,695 for furniture purchases for DoD. From October 2006 through February 2007, GovWorks awarded 212 additional contract actions for furniture purchases, valued at \$7,797,074.59. In contrast, in FY 2006, Southwest Acquisition Branch awarded one contract action, valued at \$306.55, for furniture purchases for DoD and no contract actions in FY 2007.

For two of the 18 GSA Federal supply schedule orders, Southwest Acquisition Branch contracting officials did not follow Section 803 and DFARS 208.405-70 requirements. The orders are NBCHF060052 and NBCHF070005.

**Federal Supply Schedule Order NBCHF060052.** Southwest Acquisition Branch contracting officials obtained only two offers before awarding contract action NBCHF060052, a GSA Federal supply schedule

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order for operations and support valued at \$7,589,541.90. The award summary did not contain sufficient detail regarding the competition that occurred. The award summary did not identify the names of the two offerors, the amounts proposed by each offeror, or the rationale for selecting the awardee. The summary also contained no information showing that contracting officials attempted to obtain additional quotes after initially receiving only two. The summary stated only that the request for quote was advertised on e-Buy to all Schedule 70 holders, sent out to 18 vendors, and open for 11 days. Other documentation in the contract action files tended to conflict with the idea of competition: one document states that NBCHF060052 was a logical follow-on to an existing order and that the contractor had performed the work for the past 5 years. The documentation also stated that an informal survey of GSA Advantage showed that an abundance of Schedule 70 vendors for information technology solutions and electronics could fulfill the requirement. Had contracting officials attempted to obtain more competition, they may have obtained a better price and would have complied with Section 803 requirements; it is not certain that the incumbent would have received the award.

**Federal Supply Schedule Order NBCHF070005.** For this order, Southwest Acquisition Branch contracting officials discontinued use of an existing indefinite-delivery, indefinite-quantity contract that it had awarded to a service disabled veteran-owned business under FAR Part 19 requirements after determining that inadequate market research had been performed. They then awarded a Federal supply schedule order to the same contractor after setting aside the competition to 10 service disabled veteran-owned businesses and after receiving only one offer. The value of the order was \$884,634. The order was for administrative and management support services. The contracting official's rationale for restricting the competition to service disabled veteran-owned businesses was as follows:

A determination by the contracting officer to address the requirements of DFARS 208.404-70(c)(1)(i)(B), concludes that the solicitation was issued to all Service Disabled Veteran Businesses on GSA-Ebuy. This included all 20 companies which hold schedules and reasonably should have resulted in at least 3 offers. The decision to restrict it to SDVOB [service disabled veteran-owned business] was made in order to help meet the SDVOB goal set by the Department of the Interior and continue this effort as an SDV [Service Disabled Veteran] set-aside.

The contract action file indicated that contracting officials used Federal supply schedule 84, Special Item Number (SIN) 246-52 for this purchase. We reviewed that schedule and found that it contained a list of 137 vendors on the schedule, including many vendors who are not service disabled veteran-owned businesses, that could have competed for order NBCHF070005. We do not believe that the contracting officer's decision to use set-aside procedures under a GSA Federal supply schedule order to make an award to an incumbent vendor, after receiving only one offer, was appropriate. Furthermore, the contracting officer's actions did not correct

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inadequate market research issues that occurred under the contract action that was discontinued.

**Best Practices.** GSA Federal supply schedule order 66728, valued at \$450,000, provides a good example of how a GovWorks contracting official adequately competed a GSA Federal supply schedule order. The award summary stated that contracting officials had performed research and reviewed five vendors' schedules on GSA e-Buy. The summary identified the five vendors by name. The summary identified the schedule by name, Schedule 874 SIN 1, and stated that market research showed that there were approximately 1,529 vendors on the schedule. The summary stated that contracting officials received three offers. It identified each offeror by name and included the amount offered. The detailed information in this award summary enabled us to determine that the GovWorks contracting official had complied with Section 803 and DFARS 208.405-70 requirements, and it adequately supported that the \$450,000 price paid was fair and reasonable.

**Federal Supply Schedule Orders Valued at Less Than \$100,000.**

Competition requirements for GSA Federal supply schedule orders valued at less than \$100,000 are less stringent than the requirements for GSA Federal supply schedule orders valued at more than \$100,000. Specifically, for orders for supplies, as well as services, valued under \$100,000 and not requiring a statement of work, contracting officials are required to follow FAR 8.405-1 requirements and survey only GSA Advantage or review the pricelists of three GSA Federal supply schedule vendors as opposed to obtaining at least three quotes. Of the 27 GSA Federal supply schedule awards we reviewed, 9 orders were valued at less than \$100,000. Seven of the nine GSA Federal supply schedule orders did not require a statement of work. For three of those seven orders, the order award summaries contained no evidence that contracting officials had surveyed GSA Advantage or reviewed the pricelists of three GSA Federal supply schedule vendors as required by FAR 8.405-1. Table 5 identifies the three orders valued at less than \$100,000 that had inadequate competition.

**Table 5. Competition Information for Three GSA Federal Supply Schedule Orders Valued at Less Than \$100,000**

| Order No.  | Competition Information From Award Summary   |
|--|--|
| <b>GovWorks</b>  |  |
| Order 67042<br>\$41,256.00<br>Tactical Torch Kit and Related Equipment | GSA e-Buy brand name or equal procurement conducted in accordance with FAR 8.4. Posted to GSA e-Buy as brand name or equal. . . Only one company offers this item. No requests for extension of the request for quote were received and no offers for equal items were submitted. <u>One quote</u> received. |
| Order 67044<br>\$26,596.66<br>Rope Self Descender                      | GSA e-Buy brand name or equal procurement conducted in accordance with FAR 8.4. No request to extend request for quote was received. No equal items were offered. <u>One quote</u> received.   |
| <b>Southwest Acquisition Branch</b>                                    |  |
| Order NBCHF060102<br>\$8,262.00<br>Lexis Nexis Renewal                 | "An attempt was made via GSA e-Buy to obtain competition for this renewal. However, no offers were received. The original vendor . . . was finally contacted and persuaded to submit a quote."   |

Once again, contracting officials issued a one-time request for quotes on GSA e-Buy and made the award after receiving only one offer. GovWorks awarded two of these orders and Southwest awarded one order.

**Use of Multiple-Award Contracts.** Of the 43 contract actions reviewed, Southwest Acquisition Branch contracting officials awarded 7 contract actions as orders under a multiple-award arrangement involving 4 contractors. The purpose of these contract actions was for scientific, engineering, and technical assistance and administrative support services. For these multiple-award orders, contracting officials were required to follow the fair opportunity requirements contained in FAR 16.505(b) that require contracting officials to provide fair opportunity to all multiple-awardees or claim one of the fair opportunity exceptions for individual orders issued under the multiple-award contracts.

**Fair Opportunity.** Southwest Acquisition Branch contracting officials provided all awardees a fair opportunity to be considered for six of the seven orders; however, competition for these orders was quite limited. Contracting officials obtained only one offer for four of the orders and two offers for the other two orders. For the remaining order, NBCHD060010, Order 01, valued at \$493,751.00, contracting officials obtained only one offer, did not provide all multiple-awardees a fair opportunity, and did not claim one of the fair opportunity exceptions as required by FAR 16.505(b). Instead, the contracting officer stated in the award summary that "competition was documented at the time of the basic contract." The contract action files contained no evidence that contracting officials attempted to determine why they were receiving so few offers. Table 6 identifies the seven multiple-award orders reviewed.



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**Table 6. Review of Multiple-Award Orders**

| Contract Action Number | Extent of Competition   |
|------------------------|---|
| NBCHD060009/ Order 02  | Request for purchase sent to all multiple awardees. Only two contractors responded. |
| NBCHD060009/ Order 05  | Request for purchase sent to all multiple awardees. Only two contractors responded. |
| NBCHD060010/ Order 01  | Fair opportunity <u>not</u> provided to all contractors or exception claimed.       |
| NBCHD060011/ Order 07  | Request for purchase sent to all multiple awardees. Only one contractor responded.  |
| NBCHD060011/ Order 10  | Request for purchase sent to all multiple awardees. Only one contractor responded.  |
| NBCHD060013/ Order 06  | Request for purchase sent to all multiple awardees. Only one contractor responded.  |
| NBCHD060013/ Order 12  | Request for purchase sent to all multiple awardees. Only one contractor responded.  |

## Price Reasonableness Determinations

Contracting officials need to better document and support their price reasonableness determinations, in particular for GSA Federal supply schedule orders awarded after only one offer is received. For 14 of 43 contract actions reviewed, GovWorks and Southwest Acquisition Branch contracting officials did not adequately document and support that the prices paid were fair and reasonable. This included seven GovWorks contract actions and seven Southwest Acquisition Branch contract actions. For 10 of the 14 contract actions, only one offer was received. Regardless of the contract action value, price reasonableness sections of award summaries consisted of the same nonspecific information that did not support contracting officials' price reasonableness determinations. For example, contracting officials used the same nonspecific statements for GSA Federal supply schedule order 67044, valued at \$26,596.66, as they did for GSA Federal supply schedule order 66987, valued at \$1,354,186.79. Table 7 provides some examples of the statements used to support prices.

**Table 7. Review of Price Reasonableness Decisions**

| Contract Action Information   | Support for Price Reasonableness Decisions  |
|---|---|
| <b>GovWorks</b>   |   |
| GSA Federal Supply Schedule Order 66938<br>\$962,191.20<br>Oracle Software and Technical Support<br>(One Offer)   | "This order is awarded using the procedures in 8.405-6, and represents the 'Best Value' to the government, (as defined in FAR 2.101) and results in the lowest overall cost alternative (considering price, special features, administrative costs, etc.) to meet the Government's needs. The offeror's quote is considered fair and reasonable based on GSA schedule price list included in the file."                         |
| GSA Federal Supply Schedule Order 66987<br>\$1,354,186.79<br>Teradata Test & Development Equipment<br>(One Offer) | "This order is awarded using the procedures in 8.4, and represents the 'Best Value' to the government, (as defined in FAR 2.101) and results in the lowest overall cost alternative (considering price, special features, administrative costs, etc.) to meet the Government's needs. The offeror's quote is considered fair and reasonable based on GSA schedule price list included in the file."                             |
| GSA Federal Supply Schedule Order 66417<br>\$1,158,561.00<br>Radios<br>(One Offer)                                | "This order is awarded using the procedures in 8.4, and represents the 'Best Value' to the government, (as defined in FAR 2.101) and results in the lowest overall cost alternative (considering price, special features, administrative costs, etc.) to meet the Government's needs. The offeror's quote is considered fair and reasonable based on market research included in the file. (GSA Advantage/internet print outs)" |
| GSA Federal Supply Schedule Order 67044<br>\$26,596.66<br>Rope Descender Equipment<br>(One Offer)                 | "This order is awarded using the procedures in 8.4, and represents the 'Best Value' to the government, (as defined in FAR 2.101) and results in the lowest overall cost alternative (considering price, special features, administrative costs, etc.) to meet the Government's needs. The offeror's quote is considered fair and reasonable based on GSA schedule price list included in the file."                             |

The award summaries should have included specific information that the contracting official used to determine that the price paid was fair and reasonable, including whether discounts were requested and received. Simply referring to vendor pricelists in the file as the basis for determining price reasonableness is not sufficient. Contracting officials need to provide more detail in award summaries that clearly shows the prices paid in comparison with vendor pricelists and how the prices paid are fair and reasonable. In one situation, contracting officials awarded contract action 66417, a GSA Federal supply schedule order, valued at \$1,158,561.00, after receiving only one offer. The purpose of 66417 was for the purchase of radios. The following statement from GSA Advantage was included in the contract action file:



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The items from [vendor name omitted] GS-35F-0001L exceed the Contract Maximum Order of \$500,000. You should park your cart and contact the vendor to negotiate better prices. You may also compete this large requirement among several vendors by checking the "Get a Quote box. . . ."

Instead of following this advice, contracting officials awarded order 66417. The award summary contained no evidence that the contracting officials requested or received a discount. The award summary stated that the quote was considered fair and reasonable based on market research included in the file, such as GSA Advantage and Internet printouts. The lack of detail in the award summaries leaves DoD with no assurance that the prices it pays are fair and reasonable.

## **Review of Contractor Proposals for Service Contracts**

GovWorks contracting officials have improved their documentation supporting Government reviews of contractor proposals since our initial audit. Their efforts have had some effect. Each of the five GovWorks contract actions for services we reviewed had an adequate review of contractor proposed costs. During our initial audit, only one of nine contract actions we reviewed had an adequate review.

Southwest Acquisition Branch also improved in the level of documentation supporting Government reviews of contractor proposals. Sixteen of 19 contract actions for services reviewed had an adequate review of contractor proposed costs. During our initial audit, only 4 of 15 contract actions we reviewed had adequate reviews. We commend GovWorks and Southwest Acquisition Branch for their improvements.

## **Independent Government Cost Estimates**

Lack of detail in DoD-developed independent Government cost estimates (estimates) is a continuing problem. We reviewed 11 estimates (5 from GovWorks and 6 from Southwest Acquisition Branch) related to the purchases of services. All estimates were deficient. Estimates usually consisted of lists of labor rates, labor categories, and labor hours with no explanation of how DoD activities developed the estimates. In some instances, the estimates were not signed and dated. Instead of asking DoD activities to provide more detail supporting the estimated amounts, GovWorks and Southwest Acquisition Branch contracting officials accepted the incomplete estimates. For the estimates to be of any value to contracting officials, the estimates must contain enough detail to explain how the estimated amounts were derived. Until DOI contracting officials require DoD activities to provide more detail in their estimates, contracting officials will not be able to use the estimates as part of their overall price

reasonableness determinations. Table 8 provides some examples of the inadequate Government estimates.

**Table 8. Review of Independent Government Cost Estimates**

| Contract Number                     | Contract Amount | Information in Government Estimate  |
|-------------------------------------|-----------------|---|
| <b>GovWorks</b>                     |                 |   |
| 66321                               | \$157,531.38    | The estimate was not signed and it did not show how the estimated information was developed. The estimate states only that information is "based on efforts of similar nature."     |
| 62500                               | 296,338.88      | The estimate was not signed or dated and it did not show how the estimated information was developed.   |
| 66268                               | 288,461.54      | The estimate was signed and dated; however, it did not show how the estimated information was developed.  |
| 66184                               | 421,080.43      | The estimate was signed and dated; however, it did not show how the estimated information was developed.  |
| 66728                               | 450,000.00      | The estimate was not signed and it did not identify how the estimated information was developed. The estimate states only that information is "based on efforts of similar nature." |
| <b>Southwest Acquisition Branch</b> |                 |   |
| NBCHF060052                         | 7,589,541.90    | The estimate was not signed and it did not show how the estimated information was developed.  |
| NBCHF060102                         | 8,262.00        | No estimate in file.  |
| NBCHF060101                         | 12,016.96       | No estimate in file.  |
| NBCHF070005                         | 884,634.00      | The estimate was not signed or dated and it did not show how the estimated information was developed.   |
| NBCHC060104                         | 8,913,989.72    | The estimate was not signed or dated and it did not show how the estimated information was developed.   |
| NBCHC070049                         | 222,519.01      | No estimate in file.  |

## Use of Time-and-Materials and Labor-Hour Contracts

Time-and-materials contracts provide for acquiring supplies and services on the basis of direct labor hours at specified fixed hourly rates that include wages, overhead, general and administrative expenses, and profit. Also included are materials at cost, including material handling costs.

Time-and-materials contracting is one of the least desired contract types in Government contracting because it provides no positive profit incentive to the contractor for cost control or labor efficiency. According to FAR 12.207, contracting officers are required to execute a determination and findings (D&F) that no other contract type is suitable when using a time-and-materials

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or labor-hour contracts for services. FAR 12.207(2) also states that at a minimum, the D&F must

- (i) Include a description of the market research conducted. . . .,
- (ii) Establish that it is not possible at the time of placing the contract or order to accurately estimate the extent or duration of the work or to anticipate costs with any reasonable degree of certainty,
- (iii) Establish that the requirement has been structured to maximize the use of firm-fixed-price with economic price adjustment contracts (e.g. by limiting the value or length of the time-and-materials/labor-hour contract or order; establishing fixed prices for portions of the requirement) on future acquisitions for the same or similar requirements; and
- (iv) Describe action planned to maximize the use of firm-fixed price or fixed-price with economic price adjustment contracts on future acquisitions for the same requirements.

GovWorks and Southwest Acquisition Branch contracting officials used a time-and-materials mechanism for 6 of 43 contract actions reviewed. GovWorks awarded three GSA Federal supply schedule orders using a time-and-materials arrangement. Southwest Acquisition Branch awarded two GSA Federal supply schedule orders and one Section 8(a) contract using a time-and-materials arrangement. The D&Fs for the three GovWorks contract actions adequately supported the use of a time-and-materials arrangement; however, the D&Fs for the three Southwest Acquisition Branch contract actions did not contain the required information supporting the use of a time-and-materials arrangement. We found problems with Southwest Acquisition Branch time-and-materials contract actions NBCHF060052, NBCHF070005, and NBCHC060104.

**Federal Supply Schedule Order NBCHF060052.** The D&F for NBCHF060052, valued at \$7,589,541.90, was very short and included a statement regarding proposed labor hours, a statement identifying the contracting officer's representative, and another statement that it was not possible to estimate accurately the extent or duration of the work to be performed or to estimate costs with any reasonable degree of confidence. The D&F had no information regarding whether contracting officials had performed any market research to support the use of a time-and-materials contract action. Other documentation in the contract file stated that the awardee was an incumbent contractor who had been performing the same work for 5 years. Even though at least 5 years of historical information existed, the D&F did not indicate whether contracting officials attempted to use the historical information to award at least a portion of the order on a fixed-price basis.

**Federal Supply Schedule Order NBCHF070005.** The D&F for NBCHF070005, valued at \$884,634.00, was identical to NBCHF060052 and

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did not state whether contracting officials had performed any market research to support the use of a time-and-materials contract.

**Section 8(a) Contract NBCHC060104.** The D&F for NBCHC060104, valued at \$8,913,989.72, stated that the contractor was a Section 8(a) Native Hawaiian Organization and as such it received the same preference as Indian tribes and Alaska Native Corporations. The D&F also stated the contractor had adequate resources to perform the contract or the ability to obtain them. Other information in the D&F focused on the integrity and business ethics of the contractor. However, the D&F did not contain any information supporting why a time-and-materials contract action was required. Instead, the D&F included information that showed the requirements under NBCHC060104 were not new; they were continuing requirements from prior contract actions with the same contractor, and those previous contract actions had expired.

## Legal Reviews

During our previous audit, we found that DOI legal officials were not performing reviews of delivery or task orders issued under indefinite-quantity contracts and Federal supply schedule contracts. On October 19, 2006, DOI issued new policy for review and approval of contract actions. According to this policy, legal reviews are required for awards valued at \$500,000 and more and include the review of “delivery orders” used under indefinite-quantity contracts and Federal supply schedule contracts.

During this audit, DOI’s legal review process improved. Only three contract actions valued at more than \$500,000 had inadequate legal reviews. GovWorks awarded the three contract actions. On June 14, 2007, we contacted GovWorks to determine why legal officials had not performed legal reviews of these contract actions. A GovWorks official stated that legal reviews for the three contract actions were not required because they were GSA Federal supply schedule delivery orders. However, according to the GovWorks policy dated October 19, 2006, legal officials should have reviewed the three Federal supply schedule orders. In contrast, Southwest Acquisition Branch performed legal reviews for all 14 of their contract actions valued at more than \$500,000.

## Reasons for Contracting Problems

Contracting officials did not place enough emphasis on competition when using GSA e-Buy to compete purchases. GSA e-Buy is GSA’s electronic request for quote system and is a part of a suite of on-line tools that complement GSA Advantage. GSA e-Buy allows ordering activities to post requirements, obtain quotes, and issue orders electronically. GSA promotes the use of e-Buy because it is a simple on-line procurement tool, it brings ease and versatility to on-line procurement, and it taps into a large customer

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base for products and services. FAR Subpart 8.4 and DFARS 208.405-70 allow contracting officials to use GSA e-Buy. Although we do not question contracting officials' use of GSA e-Buy, we do question their limited use of it for obtaining competitive quotes especially in situations where only one quote is received. Contracting officials may have satisfied the competition requirements when using GSA e-Buy, but we do not believe they satisfied the intent of Section 803. One contracting officer stated that she liked GSA e-Buy because in the past she spent considerable time on the telephone trying to get vendors to quote and then ended up receiving no quotes. Inadequate competition, in particular for GSA Federal supply schedule orders for products, also occurred because contracting officials were not aware that the competition procedures of DFARS 208.405-70 were changed in March 2006 to include products in addition to services.

Price reasonableness problems occurred more for contract actions involving only one offer. For the one-offer awards, contracting officials did not determine whether the price paid was fair and reasonable. Had contracting officials obtained even the minimum number of quotes required by Section 803 and DFARS 208.405-70 for the GSA Federal supply schedule purchases, the price reasonableness problems that we identified would not have occurred. Until Southwest Acquisition Branch and GovWorks use GSA e-Buy more effectively to obtain multiple offers, competition problems and price reasonableness problems will continue.

## **Conclusion**

GovWorks and Southwest Acquisition Branch contracting officials improved in the Government reviews of contractor proposals and legal reviews; however, they still need to improve in the areas of competition and price reasonableness determinations. Regarding competition, contracting officials did not demonstrate how they had complied with the competition requirements of DFARS 208.405-70 when awarding Federal supply schedule orders for purchases, valued in excess of \$100,000, after receiving fewer than three offers. Contracting officials need to base their price reasonableness decisions on the results of detailed analysis as opposed to statements that lack specific detail.

## **Recommendation, Management Comments, and Audit Response**

The majority of the recommendations to help solve the deficiencies identified in finding A were made in DoD Inspector General Report No. D-2007-007, "FY 2005 DoD Purchases Made Through the General Services Administration," October 30, 2006.

**A. We recommend that Acquisition Executives for the Army, Navy, and Air Force make program and contracting offices aware of any recurring**



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**deficiencies in the development of independent Government cost estimates, price negotiation memorandums, and use of time-and materials contracts, and implement an enforcement program that prevents future deficiencies in those areas.**

**Navy Comments.** The Deputy Assistant Secretary of the Navy (Acquisition and Logistics Management) concurred in principle with the recommendation. He stated that the Navy would continue to make program and contracting offices aware of issues in interagency contracting and reiterate the need to improve independent Government cost estimates. However, under the Federal Acquisition Regulation, selection of contract type, and preparation of price negotiation memorandums are responsibilities of the contracting officer at the assisting agency. Enforcement programs in these areas are the responsibility of the Department of the Interior.

**Air Force Comments.** The Assistant Secretary of the Air Force (Acquisition) concurred with the recommendation. On August 16, 2007, the Principal Deputy Assistant Secretary of the Air Force (Financial Management) and the Assistant Secretary of the Air Force (Acquisition) issued a joint memorandum entitled, "Air Force Purchases Using Military Interdepartmental Purchase Requests (MIPRs)." This guidance (1) places ultimate responsibility on requiring activity; (2) defines key players' roles and responsibilities; (3) mandates use of automated process and track of MIPRs; (4) implements DoD policy on advance payments; (5) mandates contracting officers review MIPRs; (6) provides detailed accounting procedures; and (7) mandates special requirements for MIPRs regarding expiring funds. Additionally, the Air Force has implemented procedures to ensure prevention of documentation deficiencies, such as financial management oversight, procuring contracting officer and negotiator training, higher level reviews within the contracting chair, and legal reviews.

**Under Secretary of Defense for Acquisition, Technology, and Logistics Comments.** Although not required to comment, the Director, Defense Procurement and Acquisition Policy commented on behalf of the Under Secretary of Defense for Acquisition, Technology, and Logistics. He agreed with the recommendation. The Director also stated that his office will continue to work with the Military Departments and Defense agencies to address long-term solutions to the recommendations.

**Audit Response.** Management comments are responsive to the recommendation, and we commend the Under Secretary of Defense for Acquisition, Technology, and Logistics for his involvement in these issues. We agree with the Navy that certain contracting actions are technically the responsibility of the assisting activity. However, as the Air Force and the Under Secretary of Defense for Acquisition, Technology, and Logistics recognized, the intent of our recommendation is for DoD requiring activities to take ultimate responsibility for ensuring program and contracting offices follow proper procedures for these interagency contract actions.



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## B. Funding Problems

Despite being informed of potential funding problems in March 2006, GovWorks continued to use expired funds to make purchases on behalf of DoD through at least March 2007. It is unclear why GovWorks continued to use expired funds. DOI's use of expired funds and its lack of attention, until recently, in correcting these problems have resulted in 336 potential funding violations involving expenditures of \$51 million. Accordingly, DoD needs to expend significant resources and effort to correct these deficiencies and ensure they do not reoccur.

### Funding Criteria

**Bona Fide Needs Rule.** Appropriations are generally available for limited periods. An agency must incur a legal obligation to pay money within an appropriation's period of availability. If an agency fails to obligate funds before they expire, they are no longer available for new obligations. Expired funds retain their "fiscal year identity" for 5 years after the end of the period of availability. During this time, the funds are available to adjust existing obligations or to liquidate prior valid obligations. However, expired funds are not available for new obligations nor can they be used to purchase new requirements.

Appropriations are available only for the bona fide needs of an appropriation's period of availability (31 U.S.C. 1502(a)). The bona fide needs rule states:

The balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability, or to complete contracts properly made within that period of availability and obligated consistent with section 1501 of this title. However, the appropriation or fund is not available for expenditure for a period beyond the period otherwise authorized by law.

**Purpose Statute.** The purpose statute is codified in 31 U.S.C. 1301(a). A violation of the purpose statute may cause a violation of the Antideficiency Act. The statute states, "appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law."

**Antideficiency Act.** Congress passed the Antideficiency Act to curb the fiscal abuses that frequently created "coercive deficiencies" that required supplemental appropriations. The Antideficiency Act consists of several statutes that include administrative and criminal sanctions for the unlawful use of appropriated funds (31 U.S.C. 1341, 1342, 1350, 1351, and 1511-1519). These statutory provisions enforce the Constitutional budgetary powers entrusted to Congress with respect to the purpose, time, and amount

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of expenditures made by the Federal Government. Violations of other laws may trigger violations of Antideficiency Act provisions (for example, the “bona fide needs rule,” 31 U.S.C. 1502(a)). Knowing and willful violators are subject to fines and imprisonment for up to 2 years.

**DoD Financial Management Regulation Guidance.** Annual Appropriation Acts define the use of each appropriation and set specific timelines for use of the appropriations. The DoD Financial Management Regulation (FMR), volume 2A, chapter 1, provides guidelines on most commonly used DoD appropriations for determining the correct appropriation to use when planning acquisitions.

**Expenses and Investments.** All costs are classified as either an expense or an investment. Expenses are costs of resources consumed in operating and maintaining DoD and typically have an approved threshold of \$250,000 for expense and investment determinations. Investments are costs to acquire capital assets, such as real property and equipment, and have a cost higher than the currently approved dollar threshold of \$250,000. Costs budgeted in the operations and maintenance (O&M) appropriations are considered expenses. Costs budgeted in the procurement appropriation are considered investments. Costs budgeted in the research, development, test, and evaluation (RDT&E) appropriations include both expenses and investments.

**RDT&E Appropriations.** Development, test, and evaluation requirements, including designing prototypes and processes, should be budgeted in the RDT&E appropriations. In general, all developmental activities included in bringing a program to its objective system are to be budgeted in RDT&E. RDT&E funds are available for obligation for 2 years.

**O&M Appropriations.** Expenses incurred in continuing operations and current services are budgeted in the O&M appropriations. Modernization costs under \$250,000 are considered expenses, as are one-time projects, such as development of planning documents and studies. O&M funds are available for obligation for 1 year.

**Minor Construction.** FMR volume 2B, chapter 6 states that an unspecified military construction project costing no more than \$750,000 may be funded from appropriations available for O&M. Minor construction projects costing more than \$750,000 may not be funded using O&M funds unless 10 U.S.C. 2805 requirements are met or it is approved under other legal authority.

## Requirements for Obligation of Funds for Interagency Orders

When a Government agency orders supplies or services through another agency, it must define the items or services it is procuring and legally obligate agency funds to pay for the procurement. DoD Components generally use the Military Interdepartmental Purchase Request (MIPR)

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(DD Form 448) as the obligating document for interagency orders. The obligation must also meet several legal and regulatory requirements.

- An obligation must be definite and certain [Government Accountability Office (GAO) Red Book, volume II, page 7-3].
- Funds are to be obligated only for the purposes for which they were appropriated [31 U.S.C. 1301(a)].
- Funds are to be obligated only to satisfy the bona fide needs of the current fiscal year [31 U.S.C. 1502(a); DoD FMR, volume 3, chapter 8, paragraph 080303A].
- Funds are to be obligated only if there is a genuine intent to allow the contractor to start work promptly and to proceed without unnecessary delay [DoD FMR, volume 3, chapter 8, paragraph 080303B].
- Current funds are to be obligated when the Government incurs an obligation (or a liability) [DoD FMR, volume 3, chapter 8, paragraph 080302].
- Funds are not to be obligated in excess of (or in advance of) an appropriation, or in excess of an apportionment or a formal subdivision of funds [31 U.S.C. 1341 and 1517].

The Comptroller General has also held that it is improper to “bank” appropriated funds with another agency to cover future year needs.<sup>3</sup>

**Requirements for Review of Outstanding Obligations and Commitments.** Defense agencies are required by DoD FMR, volume 3, chapter 8, section 080401 to perform reviews of unliquidated obligations and commitments three times each year:

Fund holders, with assistance from supporting accounting offices, shall review commitment and obligation transactions for timeliness, accuracy, and completeness during each of the four month period ending on January 31, May 31, and September 30 of each fiscal year. Fund holders are DoD officials that receive a documented administrative subdivision of funds including apportionments, allocations, sub allocations, allotments, and sub allotments through their funding chain of command or from other government departments, agencies, and activities holding an administrative subdivision of funds. The requirement for reviews of commitments and obligations applies to all appropriations and funds of all DoD Components. This requirement applies not only

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<sup>3</sup> Implementation of the Library of Congress FEDLINK Revolving Fund, B-288142, September 6, 2001; Continued Availability of Expired Appropriation for Additional Project Phases, B-286929, April 25, 2001.

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to direct appropriations, but also to all reimbursable transactions, as well as the Department's revolving and trust funds.

The purpose of these reviews is to deobligate funds that are no longer needed so that the funds may be reobligated on other requirements. The reviews also ensure that the accounting records are accurate and up-to-date.

## Review of DOI MIPRS

During our prior audit, we identified 21 potential Antideficiency Act violations that occurred at GovWorks. Using information provided to us from GovWorks, we also identified approximately 1,967 MIPRs involving about \$393 million in DoD funds "banked" at GovWorks that could have expired. In March 2006, we notified DOI that it should not use expired funds and that it should return expired funds to DoD.

During this audit, we performed three separate reviews of GovWorks MIPRs to determine whether GovWorks had stopped its practice of using expired funds for new DoD purchases. The reviews are as follows.

- First, we selected 25 of the 1,967 MIPRs, identified during our prior audit, with remaining balances of approximately \$104.4 million. The DOI IG also selected 25 of the 1,967 MIPRs for its review. Collectively, the 50 MIPRs accounted for \$200 million, or about one half of the \$393 million of expired funds. This report addresses only the 25 MIPRs reviewed by the DoD IG. The remaining 25 MIPRs reviewed by the DOI IG will be included in the DOI IG audit report. We will refer to our review of these 25 MIPRs as the first review.
- Second, we reviewed MIPRs related to 43 GovWorks and Southwest Acquisition Branch contract actions selected for our overall review. We will refer to the review of these MIPRs as the second review.
- Third, we reviewed 11 GovWorks contract actions that occurred between January 16, 2007, and January 30, 2007. We will refer to our review of these contract actions as the third review.

As a result of the three reviews, we found that from October 3, 2005, through at least March 2007, GovWorks used expired DoD funds to make purchases on behalf of DoD. At GovWorks, we identified 336 potential funding violations involving expenditures of \$51 million.

**First Review: Potential Funding Violations at GovWorks.** In November 2006, we reviewed 25 of the 1,967 MIPRs, with remaining balances of approximately \$104.4 million. Based on this first review, we identified 266 potential funding violations valued at \$42,458,324.13. Table 9 identifies the 266 potential Antideficiency Act violations and the time frame in which they occurred. We viewed the potential Antideficiency Act violations that occurred after March 1, 2006, as more serious because we notified DOI in

March 2006 that it should not use expired funds and that it should return expired funds to DoD.

**Table 9. Results of First Review**

| Time Frame of Potential Antideficiency Act Violations | Number of Potential Antideficiency Act Violations | Amount of Potential Antideficiency Act Violations |
|---|---|---|
| October 3, 2005, through February 28, 2006            | 77  | \$30,538,568.52                                   |
| March 1, 2006, through October 13, 2006               | 189   | \$11,919,755.61                                   |
| <b>Total</b>  | <b>266</b>  | <b>\$42,458,324.13</b>                            |

**Second Review: Potential Funding Violations at GovWorks.** For our second review, we reviewed funding documents related to 43 contract actions as part of our overall audit review. GovWorks awarded 20 of the contract actions and Southwest Acquisition Branch awarded 23 contract actions. We did not identify any potential Antideficiency Act violations at Southwest Acquisition Branch related to those 23 actions. In contrast, for 14 of 20 GovWorks contract actions reviewed, we identified 15 potential funding violations.<sup>4</sup> Table 10 identifies the 15 potential Antideficiency Act violations related to our review of the 14 contract actions at GovWorks and the timeframe in which they occurred.

**Table 10. Results of Second Review**

| Time Frame of Potential Antideficiency Act Violations | Number of Potential Antideficiency Act Violations | Amount of Potential Antideficiency Act Violations |
|---|---|---|
| November 1, 2006, through December 21, 2006           | 13  | \$3,333,751.73                                    |
| January 8, 2007                                       | 2   | \$407,006.11                                      |
| <b>Total</b>  | <b>15</b>   | <b>\$3,740,757.84</b>                             |

**Third Review: Potential Funding Violations at GovWorks.** For our third review, we reviewed 11 GovWorks contract actions that occurred from January 16, 2007, through January 30, 2007, for funding problems. We identified 55 more potential Antideficiency Act violations. There were more funding violations than contract actions reviewed because in some instances, contracting officials used expired funds from one funding document to fund several contract actions or they used several funding documents to fund one contract action. Of the 55 potential Antideficiency Act violations identified, 32 occurred from September 23, 2005, through December 19, 2006, and 23 occurred from January 3, 2007, through March 13, 2007. Table 11 identifies the 55 potential Antideficiency Act violations.

<sup>4</sup> We reviewed only 14 of the 20 GovWorks contract actions here because the other six contracts were reviewed under the third review.

**Table 11. Results of Third Review**

| Time Frame of Potential Antideficiency Act Violations | Number of Potential Antideficiency Act Violations | Amount of Potential Antideficiency Act Violations |
|---|---|---|
| September 23, 2005, through December 19, 2006         | 32  | \$2,025,800.15                                    |
| January 3, 2007, through March 13, 2007               | 23  | \$2,751,010.34                                    |
| <b>Total</b>  | <b>55</b>   | <b>\$4,776,810.99</b>                             |

## **GovWorks Use of Advanced Billing**

GovWorks operates under the authority of the DOI franchise fund authority, which permits payment for contracts and associated administrative costs in advance of the services being acquired. A GovWorks policy official provided the following information, dated June 6, 2007, that describes the GovWorks high-level process for securing DoD funding and billing acquisition services.

1. A DoD organization/component identifies a business need and issues a Military Interdepartmental procurement Request (MIPR-DD Form 448) to GovWorks identifying the products/services to be acquired. GovWorks reviews the MIPR for data accuracy and forwards it to the contracting officer for confirmation of bona fide need, specificity, review, and acceptance. Once approved by the contracting officer, GovWorks prepares a service agreement which identifies an estimated cost for the product/services to be acquired and GovWork's administrative fee for performing the acquisition services and maintaining the contract.
2. DoD signs the GovWorks service agreement. GovWorks processes the MIPR and generates the MIPR acceptance form (DD 448-2). Upon signing these documents, DoD records a financial transaction for the GovWorks services by processing an obligation on its financial records reflecting the full agreement amount for the contract and administrative fee.
3. GovWorks records a receivable transaction on its books and uses the U.S. Treasury Intragovernmental Payment and Collection (IPAC) System to bill the DoD component for the full estimated receivable amount, including contract cost and administrative fee, prior to contract award. As required, DoD liquidates the obligation on its financial records by paying the IPAC billing and before any goods/services are received.
4. GovWorks receives the funds from DoD and records the administrative fee and contract amounts as separate transactions on its financial records. GovWorks makes this financial/

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transaction information available for review by DoD on GovWork's Business Information System (BIS).

5. GovWorks then performs acquisition services in compliance with FAR and DoD requirements and issues an award for the designated goods/services.

6. GovWorks retains the award information in BIS and on its financial records. When the vendor bills for the goods/services either in full or incrementally, GovWorks provides this billing to DoD for receipt and acceptance by the contracting officer's technical representative. Upon receipt of the approval from DoD, GovWorks makes the payment and records it on GovWork's financial records. The payment information is then reflected in BIS for access and review by DoD.

7. Upon receipt and approval of the final billing, GovWorks performs required audits or reviews, closes the award, and deobligates remaining amounts and returns those funds to DoD via IPAC.

This process causes problems for DoD activities because DoD cannot track individual MIPR remaining balances. Once the funds are expended, they are not reflected on accounting records as unliquidated funds. On February 7, 2007, the Under Secretary of Defense (Comptroller)/Chief Financial Officer informed DOI that DoD would no longer honor the practice of advancing funds to non-DoD Federal entities. However, from March 1, 2007, through April 13, 2007, GovWorks received 230 MIPRs from DoD activities totaling \$127.4 million that were all billed in advanced.

The Under Secretary of Defense (Comptroller)/Chief Financial Officer should recover advance payments made to GovWorks that have not been expended. Recommendations to the Under Secretary of Defense (Comptroller)/Chief Financial Officer to address funding policy and potential funding violations will be made in a separate report.

## **MIPR Specificity**

During our prior audit, we found that many MIPRs lacked specificity about the products and services being acquired. In response to this problem, the Under Secretary of Defense (Comptroller)/Chief Financial Officer issued a memorandum on October 16, 2006, which revised financial management policy for Non-Economy Act orders. According to the policy, Non-Economy Act orders must include:

- A firm, clear, specific, and complete description of the goods or services ordered. The use of generic descriptions is not acceptable;



- Specific performance or delivery requirements;
- A proper fund citation;
- Payment terms and conditions (e.g., direct cite or reimbursement, and provisions of advanced payments);
- Specific Non-Economy Act statutory authority such as those referenced in paragraph B above; and
- DoD Activity Address Code (DODAAC).

As part of the present audit, we reviewed the MIPRs for the 43 contract actions (20 from GovWorks and 23 from Southwest Acquisition Branch) to determine whether specificity problems were decreasing as a result of an October 16, 2006, memorandum from the Under Secretary of Defense (Comptroller)/Chief Financial Officer.

The 43 contract actions reviewed involved 47 MIPRs. Of the 47 MIPRs reviewed, 31 lacked specificity. Of the 31 MIPRs that lacked specificity, 30 were dated prior to October 16, 2006. Table 12 provides a breakdown of MIPR specificity problems by contracting activity location and by time period.

**Table 12. Review of 43 MIPRs for Specificity**

| DOI Contracting Activity     | Number of Contracts Reviewed | Number of MIPRs Reviewed | Inadequate Specificity | MIPRs Dated Before 10/16/06 | MIPRs Dated After 10/16/06 |
|------------------------------|------------------------------|--------------------------|------------------------|-----------------------------|----------------------------|
| GovWorks                     | 20                           | 22                       | 11                     | 11                          | 0                          |
| Southwest Acquisition Branch | 23                           | 25                       | 20                     | 19                          | 1                          |
| <b>Total</b>                 | <b>43</b>                    | <b>47</b>                | <b>31</b>              | <b>30</b>                   | <b>1</b>                   |

In April 2007, we performed another review of 20 additional GovWorks MIPRs for specificity and determined that all MIPRs contained specific requirements. The results show that GovWorks and Southwest Acquisition Branch have significantly improved the specificity in MIPRs since the revised guidance was issued. We commend GovWorks and Southwest Acquisition Branch officials and encourage them to continue to be diligent in requiring specific requirements on MIPRs.

## GovWorks Use of Purchase Cards for DoD Purchases

Of the 336 potential Antideficiency Act violations identified at GovWorks, 34 involved the use of purchase cards. The amounts varied from \$4.50 to \$4,490. It was unclear why DoD could not have made these purchases.

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GovWorks stated that it processed 707 purchase card transactions, totaling \$508,869.90, in FY 2006 for DoD. For these purchases, DoD paid not only the credit card fee but also a fee to DOI for making the purchase. Although DoD made it clear to GovWorks personnel that GovWorks should not make purchase card purchases on behalf of DoD, in FY 2007, GovWorks provided information showing that it processed another 104 purchase card transactions totaling \$40,748.19 for DoD.

## **Department of the Interior Efforts To Correct Funding Problems**

It is unclear why DOI did not respond in a timely manner to the funding problems we identified during this and our previous audit. Although we consistently made DOI officials aware of funding problems beginning in March 2006, we did not see any serious attempts by DOI to correct these problems until April 18, 2007. Had DOI management addressed the funding problems earlier, many of the 336 funding problems involving expenditures of \$51 million may not have occurred. DOI management has made some organizational and personnel changes that are improving DoD fund management. However, much still needs to be done.

## **DoD Corrective Actions**

On February 7, 2007, the Under Secretary of Defense (Comptroller)/Chief Financial Officer issued a memorandum to DOI stating that it was directing all DoD Components to stop the practice of advancing funds to non-DoD Federal entities. On March 1, 2007, the Under Secretary of Defense (Comptroller)/Chief Financial Officer issued another memorandum, "Advance Payments to Non-Department of Defense (DoD) Federal Agencies for Interagency Acquisitions," to DoD Components. The notice states that the practice of advance billing was no longer to be used for DoD procurements. Specifically, the memorandum stated:

In accordance with current DoD policy, all DoD Components are directed to stop the practice of advancing funds to non-DoD federal entities unless the DoD Components are specifically authorized by law, legislative action, or Presidential authorization. This includes the practice of permitting advance billings without the receipt of goods or services. All existing advancements retained by a non-DoD federal agency must be returned.

Components requesting goods or services from a non-DoD federal agency must be fully aware of the outside agency's billing practices and take appropriate action to ensure DoD funds are not disbursed in advance of contract performance. In addition, Components must work with their servicing disbursement sites to revise trading partner agreements to restrict other federal

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agencies' ability to withdraw funds prior to the delivery of goods or services performed. . . .

On May 7, 2007, we informed the Under Secretary of Defense for Acquisition, Technology, and Logistics that Southwest Acquisition Branch has made substantial improvement in compliance with Defense procurement requirements. We recommended that DoD continue to use Southwest Acquisition Branch. However, GovWorks has not adequately improved its funding and contracting practices. We recommended that the Under Secretary of Defense for Acquisition, Technology, and Logistics restrict DoD Components from making GovWorks procurements in excess of the \$100,000 limits specified in Section 811(d)(2) of the Authorization Act until DOI has taken corrective action.

On May 31, 2007, the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics issued a memorandum to DOI to notify DOI of our recommendations. Specifically, the memorandum stated:

We direct that no interagency agreement in excess of \$100,000, be accepted by GovWorks Federal Acquisition Center of the Department of Interior's National Business Center from DoD unless a determination has been made in writing by the Under Secretary of Defense (AT&L) that it is "necessary in the interest of the Department to procure the particular property or services...". This restriction shall remain in effect until rescinded. As requested previously, DoI must cease the practice of advanced funding and must comply with DoD's policy of "no advance" payments with respect to all interagency agreements.

During our audit, we provided the Under Secretary of Defense (Comptroller)/Chief Financial Officer a list of 338 potential Antideficiency Act violations.<sup>5</sup> The Under Secretary of Defense (Comptroller)/Chief Financial Officer immediately formed a task force with dedicated personnel from the Office of the Secretary of Defense Office of General Counsel; Under Secretary of Defense (Comptroller); DoD Components and activities; and Acquisition, Technology, and Logistics. This staff led a coordinated effort with the DoD IG Legal Counsel and DOI to review each case and develop policies, procedures, and audit trails to correct and adjudicate each potential Antideficiency Act violation.

The Comptroller streamlined the potential Antideficiency Act investigation process for cases related to interagency acquisition. The "DoD Financial Management Regulation," Volume 14, Antideficiency Act Violations, allowed Components 90 days for completing preliminary investigations and 270 days for completing formal investigations. A policy memorandum was signed in June 2007 by the Under Secretary of Defense (Comptroller)/Chief Financial Officer compressing the time allowances for interagency

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<sup>5</sup> Initially, we provided 338 potential Antideficiency Act violations to the Under Secretary of Defense (Comptroller)/Chief Financial Officer. After conducting further audit work, we removed two of the potential Antideficiency Act violations from that list.

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acquisition investigations to 30 days for preliminary investigations and 180 days for formal investigations.

The task force issued accounting guidance to ensure compliance and consistency across DoD for issues relating to the bona fide needs rule. This guidance provided instructions for accounting offices in preparing funding and accounting correction documents and a process to coordinate these documents with DOI. By working together, both organizations instituted internal controls to ensure each case was corrected and an audit trail was maintained. The task force also required fund managers to provide written confirmation that all corrections met the legal requirements for correcting the bona fide needs violation through a three-part test. The three-part test required the correct year or appropriation funds were available at the time the obligation was made, the funds were available on the day the corrections were processed, and the funds were available at all times in-between. Each fund manager making a correction certified these requirements.

Because of these efforts, the task force completed 95 percent of the cases in 30 days. The 338 potential violations went through the preliminary investigation process, and 303 of the potential violations were deemed bona fide needs rule violations and were fixed by accounting corrections. The remaining potential violations are either being formally investigated or determined not to be Antideficiency Act violations. The target date for completing formal investigations on the 32 cases was January 31, 2008.

The 303 cases determined to be a violation of the bona fide needs rule were due to the use of wrong fiscal year funds. The total dollar amount DOI deobligated is \$209.5 million. The amount DoD transferred from one fiscal year to another fiscal year to correct potential Antideficiency Act violations is \$29.6 million.

To prevent future Antideficiency Act violations, DoD is aggressively uncovering root cause issues on fiscal law violations. DoD is using the experience gained in conducting the preliminary and formal investigations to develop new and stronger policies and procedures, analyzing process impediments for areas of improvement, and incorporating lessons learned in the fiscal and acquisition training segments.

DoD is also piloting an automated solution with the necessary business rules and internal controls for processing intragovernmental orders that will help avoid future Antideficiency Act violations. DoD has targeted the Intragovernmental Value Added Network system as the tool to capture, record, and track intragovernmental transactions from both the acquisition and financial perspectives. We commend the Comptroller's efforts to resolve the funding problems that we identified.

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## Recommendation, Management Comments, and Audit Response

Recommendations to the Under Secretary of Defense (Comptroller)/Chief Financial Officer regarding financial policy and the disposition of the remaining potential Antideficiency Act violations will be made in a separate report.

**B. We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer recover advance payments made to GovWorks that have not been expended.**

**Under Secretary of Defense (Comptroller)/Chief Financial Officer Comments.** The Deputy Chief Financial Officer provided comments on behalf of the Under Secretary of Defense (Comptroller)/Chief Financial Officer. He concurred with the recommendation. The Under Secretary of Defense (Comptroller)/Chief Financial Officer notified the Department of the Interior in February 2007 about DoD's policy on advance payments and the requirement to return all existing advance payments. As a result, the Department of the Interior has deobligated and returned \$209.5 million during FY 2007.

**Audit Response.** The Deputy Chief Financial Officer's comments are responsive.

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## Appendix A. Scope and Methodology

We conducted this performance audit from October 2006 through November 2007 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We performed this audit as required by section 811 of the “National Defense Authorization Act for 2006.” During our prior audit, we identified approximately 1,967 MIPRs involving about \$393 million in expired DoD funds “banked” at GovWorks. Prior to beginning fieldwork for this audit, we reviewed 25 of the 1,967 MIPRs, involving \$104.4 million, in more detail. We then reviewed 43 contract actions awarded between November 2006 and February 2007, at two DOI contracting activities: GovWorks in Herndon, Virginia, and Southwest Acquisition Branch, at Fort Huachuca, Arizona. The value of these contract actions was \$47.6 million. The contract actions represented awards from numerous contract types including GSA Federal supply schedule orders, multiple-award orders, broad agency announcements, Section 8(a), and a purchase order. We also reviewed 50 additional GovWorks contract obligations, valued at \$4.8 million, for funding issues. Our audit primarily focused on the following areas of review.

**Bona Fide Need.** We determined whether the DoD requiring activity had a bona fide need for the requirement included on MIPRs sent to DOI. Specifically, we determined whether the need was for the fiscal year of the appropriation used to finance the requirement. To determine this we looked at MIPRs for the specific requirements and the timing of providing the supplies or services to DoD activities.

**Competition.** We determined whether DOI adequately competed DoD purchases according to FAR; “The National Defense Authorization Act for Fiscal Year 2002,” Section 803; and DFARS.

**Price Reasonableness Determinations.** We determined whether DOI contracting officers adequately documented and supported whether prices paid for DoD goods and services were fair and reasonable. We reviewed documentation DOI contracting organizations maintained to support purchases they made for DoD. The documentation we reviewed included MIPRs, MIPR acceptances, statements of work, price negotiation memorandums, technical evaluations, independent Government cost estimates, legal reviews, determination and findings documents, and miscellaneous correspondence. We interviewed contracting personnel at GovWorks and Fort Huachuca.

**Use of Computer-Processed Data.** The audit relied on data from the General Services Administration Federal Procurement Data System-Next Generation (FPDS-NG), the GovWorks Business Information System, and



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the National Business Center, Southwest Acquisition Branch, business activity data to identify contract actions for review. Although we did not perform detailed testing of the data from these systems, we did not identify significant errors in the data.

**FPDS-NG.** On September 27, 2005, GAO sent a memorandum to the Director, Office of Management and Budget, called “Improvements Needed to the Federal Procurement Data System-Next Generation.” The memorandum stated:

Based on our review, we have concerns regarding whether the new system has achieved the intended improvements in the areas of timeliness and accuracy of data, as well as ease of use and access to data. We also are concerned as to whether the FPDS-NG system has the flexibility to capture data on interagency contracting transactions. Completion of the FPDS-NG transition provides an opportunity for assessing the implementation of the system to date and for considering needed adjustments as the contractor begins its next period of performance. We are recommending actions to help achieve the intended improvements for FPDS-NG, which should be considered as part of that assessment.

The audit did not rely heavily on the data from the FPDS-NG system to identify contract actions for our review. We compared the FPDS-NG to GovWorks Business Information System data. We noticed some discrepancies between the two but not enough to affect our audit conclusions.

**GovWorks Business Information System.** The audit relied on data from GovWorks Business Information System to identify contract actions for our review and to identify MIPRs that were still open and being used to make procurements.

**Southwest Acquisition Branch, Interior Department Electronic Acquisition System Procurement Desktop.** We used data from the Interior Department Electronic Acquisition System Procurement Desktop. We did not find any errors in the system that would affect our audit conclusions.

**Government Accountability Office High-Risk Area.** The Government Accountability Office has identified several high-risk areas in DoD. This report provides coverage of the “DoD Contract Management,” “Management of Interagency Contracting,” and “DoD Weapon Systems Acquisition” high-risk areas.

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## Appendix B. Prior Coverage

During the last 5 years, the GAO, the DoD IG, the Army Audit Agency, the Air Force Audit Agency, and the DOI IG issued 31 reports relating to interagency contracting and military interdepartmental purchases. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>. Unrestricted DOI IG reports can be accessed at <http://www.doioig.gov>.

### GAO

GAO Report No. GAO-06-996, "Interagency Contracting Improved Guidance, Planning, and Oversight Would Enable the Department of Homeland Security to Address Risks," September 2006

GAO Report No. GAO-05-456, "Interagency Contracting Franchise Funds Provide Convenience, but Value to DoD is not Demonstrated," July 2005

GAO Report No. GAO-05-201, "Interagency Contracting Problems with DoD's and Interior's Orders to Support Military Operations," April 2005

GAO Report No. GAO-05-274, "Contract Management: Opportunities to Improve Surveillance on Department of Defense Service Contracts," March 2005

GAO Report No. GAO-03-207, "High-Risk Series: An update," January 2005

GAO Report No. GAO-04-874, "Contract Management: Guidance Needed to Promote Competition for Defense Task Orders," July 2004

GAO Report No. GAO-03-1069, "Budget Issues: Franchise Fund Pilot Review," August 2003

GAO Report No. GAO-02-734, "Contract Management: Interagency Contract Program Fees Need More Oversight," July 2002

### DoD IG

DoD IG Report No. D-2008-050, "Report on FY 2006 DoD Purchases Made Through the Department of the Treasury," February 11, 2008

DoD IG Report No. D-2008-036, "FY 2006 DoD Purchases Made Through the U.S. Department of Veterans Affairs," December 20, 2007

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DoD IG Report No. D-2008-022, "FY 2006 DoD Purchases Made Through the National Institutes of Health," November 15, 2007

DoD IG Report No. D-2007-098, "Use and Control of Intragovernmental Purchases at the Defense Intelligence Agency," May 18, 2007

DoD IG Report No. D-2007-044, "FY 2005 DoD Purchases Made Through the Department of the Interior," January 16, 2007

DoD IG Report No. D-2007-042, "Potential Antideficiency Act Violations on DoD Purchases Made Through Non-DoD Agencies," January 2, 2007

DoD IG Report No. D-2007-032, "FY 2005 DoD Purchases Made Through the Department of Treasury," December 8, 2006

DoD IG Report No. D-2007-023, "FY 2005 DoD Purchases Made Through the National Aeronautics and Space Administration," November 13, 2006

DoD IG Report No. D-2007-007, "FY 2005 DoD Purchases Made Through the General Services Administration," October 30, 2006

DoD IG Report No. D-2005-096, "DoD Purchases Made Through the General Services Administration," July 29, 2005

DoD IG Report No. D-2003-090, "Use and Control of Military Interdepartmental Purchase Requests at the Air Force Pentagon Communications Agency," May 13, 2003

DoD IG Report No. D-2002-110, "Policies and Procedures for Military Interdepartmental Purchase Requests at Washington Headquarters Services," June 19, 2002

DoD IG Report No. D-2002-109, "Army Claims Service Military Interdepartmental Purchase Requests," June 19, 2002

## **Army**

Army Audit Agency Report No. A-2002-0536-IMU, "Military Interdepartmental Purchase Requests, Logistics Assistance Group Europe," August 21, 2002

## **Air Force**

Air Force Audit Agency Report No. F2004-0006-FBP000, "General Services Administration Military Interdepartmental Purchase Request, 353d Special Operations Group, Kadena AB, Japan," November 10, 2004

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Air Force Audit Agency Report No. F2004-0046-FBP000, "General Services Administration Military Interdepartmental Purchase Request, 390th Intelligence Squadron, Kadena AB, Japan," August 11, 2004

## **DOI IG**

DOI IG Report No. X-IN-MOA-0018-2005, "FY2005 Department of the Interior Purchases Made on Behalf of the Department of the Defense," January 2007

KPMG, under contract with the DOI IG, Report No. E-IN-MMS-0006-2005, "Independent Auditors' Report on the Minerals Management Service's Financial Statements for Fiscal Years 2004 and 2003," March 3, 2005

KPMG, under contract with the DOI IG, Report No. E-IN-DMO-0058-2004, "Independent Auditors' Report on the Departmental Offices' Financial Statements for Fiscal Years 2004 and 2003," December 6, 2004

DOI IG Assignment No. W-EV-OSS-0075-2004, "Review of 12 Procurements Placed Under General Services Administration Federal Supply Schedules 70 and 871 by the National Business Center," July 16, 2004

KPMG, under contract with the DOI IG, Report No. E-IN-MMS-0066-2003, "Independent Auditors' Report on the Minerals Management Service's Financial Statements for Fiscal Years 2003 and 2003," December 9, 2003

KPMG, under contract with the DOI IG, Report No. 2003-I-0038, "Independent Auditors' Report on the Interior Franchise Fund's Financial Statements for Fiscal Years 2002 and 2001," March 21, 2003

DOI IG Report No. 20002-I-0050, "GovWorks Gainsharing Program and Recovery of Costs related to the Interior Franchise Fund Minerals Management Service," September 2002

## Appendix C. Department of the Interior Contract Actions Reviewed

|                 | Contract Value | Contract Type | DoD Requiring Activity   | Purchase Description  | Product/ Service | Contract Mechanism                         |
|-----------------|----------------|---------------|--|---|------------------|--|
| <b>GovWorks</b> |                |               |  |   |                  |  |
| 1) 66820        | \$109,856.85   | Fixed Price   | United States Marine Corps, Federal Office Building #2, Navy Annex, Rm 1231 Washington, D.C.       | Dell Laptops and Xerox Printers   | Products         | GSA Federal Supply Schedule Delivery Order |
| 2) 66473        | 174,992.86     | Fixed Price   | U.S. Army Legal Services Agency, 901 North Stuart Street, Suite 700, Arlington, VA                 | Design, Equipment, and Installation of a Courtroom Evidence Presentation System | Products         | GSA Federal Supply Schedule Delivery Order |
| 3) 66597        | 188,540.50     | Fixed Price   | Naval Facilities Expeditionary Logistics Center, 1000 23rd Avenue, Building 1000, Port Hueneme, CA | Helmet Pads   | Products         | GSA Federal Supply Schedule Delivery Order |
| 4) 66856        | 281,727.18     | Fixed Price   | Naval Special Warfare Command , 2000 Trident Way, Building 624, San Diego, CA                      | Systems Furniture   | Products         | GSA Federal Supply Schedule Delivery Order |
| 5) 66669        | 287,092.09     | Fixed Price   | Womack Army Medical Center, Resource Management Division, Fort Bragg, NC                           | Furniture   | Products         | GSA Federal Supply Schedule Delivery Order |
| 6) 66683        | 532,540.00     | Fixed Price   | Naval Facilities Expeditionary Logistics Center, Port Hueneme, CA                                  | Body Armor/Tactical Gear  | Products         | GSA Federal Supply Schedule Delivery Order |
| 7) 66938        | 962,191.20     | Fixed Price   | PD-IMS-A,9350 Hall Road, Suite 206, Fort Belvoir, VA   | Oracle Software Update and Technical Support                                    | Products         | GSA Federal Supply Schedule Delivery Order |

|           | Contract Value | Contract Type      | DoD Requiring Activity  | Purchase Description                                       | Product/Service | Contract Mechanism                         |
|-----------|----------------|--------------------|---|--|-----------------|--|
| 8) 66987  | 1,354,186.79   | Fixed Price        | 643rd ELSS/EID, 45 Arnold Street, Hanscom AFB, MA   | Teradata Test and Development Equipment                    | Products        | GSA Federal Supply Schedule Delivery Order |
| 9) 66854  | 229,997.37     | Fixed Price        | Defense Contract Audit Agency, Mid Atlantic Region, 615 Chestnut Street, Philadelphia, PA | Furniture  | Products        | GSA Federal Supply Schedule Delivery Order |
| 10) 66452 | 145,251.54     | Fixed Price        | Commander, Navy Installations, 2713 Mitscher Road, SW, Washington, D.C.                   | Furniture  | Products        | GSA Federal Supply Schedule Delivery Order |
| 11) 66417 | 1,158,561.00   | Fixed Price        | HQ Air Force Office of Special Investigations, 1535 Command Drive, Andrews AFB, MD        | Radios   | Products        | GSA Federal Supply Schedule Delivery Order |
| 12) 66575 | 24,695.48      | Fixed Price        | Defense Contract Audit Agency, Suite 1000, 615 Chestnut Street, Philadelphia, PA          | High Density Filing System                                 | Products        | GSA Federal Supply Schedule Delivery Order |
| 13) 67042 | 41,256.00      | Fixed Price        | Navy Riverine Group I, 2340 Amphibious Dr., Norfolk, VA                                   | Tactical Torch Kit and Related Equipment                   | Products        | GSA Federal Supply Schedule Delivery Order |
| 14) 67044 | 26,596.66      | Fixed Price        | Navy Riverine Group I, 2340 Amphibious Dr., Norfolk, VA                                   | Rope Descender   | Products        | GSA Federal Supply Schedule Delivery Order |
| 15) 67025 | 18,478.60      | Fixed Price        | Commander, Navy Installations, 2713 Mitscher Road, SW, Washington, D.C.                   | Computer Related Equipment                                 | Products        | GSA Federal Supply Schedule Delivery Order |
| 16) 66321 | 157,531.38     | Time and Materials | Office of the Secretary of Defense/Defense Science Board, Pentagon, 3D86                  | Task Force Study on Detection of Nuclear Deterrence Skills | Services        | GSA Federal Supply Schedule Task Order     |



|                                     | Contract Value | Contract Type      | DoD Requiring Activity  | Purchase Description   | Product/Service | Contract Mechanism                         |
|-------------------------------------|----------------|--------------------|---|--|-----------------|--|
| 17) 66268                           | 288,461.54     | Time and Materials | Headquarters United States Military Entrance Processing Command, 2834 Green Bay Road, North Chicago, IL | Programming Support  | Services        | GSA Federal Supply Schedule Task Order     |
| 18) 62500                           | 296,338.88     | Fixed Price        | Defense Logistics Agency, 8725 John Kingman Road, Fort Belvoir, VA                                      | Military Postal Service Study  | Services        | GSA Federal Supply Schedule Task Order     |
| 19) 66728                           | 450,000.00     | Time and Materials | Office of the Secretary of Defense/Defense Science Board, Room 3D86, Pentagon                           | Study on Challenges to Military in Support of National Interests             | Services        | GSA Federal Supply Schedule Task Order     |
| 20) 66184                           | 421,080.43     | Fixed Price        | AFMC LSO/LOLF, 5215 Thurlow St., Wright Patterson AFB, OH   | Develop and Build a Single Kit to Complement the PDK for USAF TMF Operations | Services        | GSA Federal Supply Schedule Task Order     |
| <b>Southwest Acquisition Branch</b> |                |                    |   |  |                 |  |
| 1) NBCHP060523                      | 8,719.40       | Fixed Price        | Department of Defense Personnel Security Research Center, 99 Pacific St., Suite 455-E, Monterey, CA     | Acronis Software   | Product         | Purchase Order                             |
| 2) NBCHF060093                      | 4,015.85       | Fixed Price        | Department of Defense Personnel Security Research Center, 99 Pacific St., Suite 455-E, Monterey, CA     | Diskkeeper Licenses  | Product         | GSA Federal Supply Schedule Delivery Order |
| 3) NBCHF060098                      | 20,562.00      | Fixed Price        | Defense Advanced Research Projects Agency, 3701 N Fairfax Drive, Arlington, VA                          | Finger Print System  | Product         | GSA Federal Supply Schedule Delivery Order |

|                | Contract Value | Contract Type       | DoD Requiring Activity   | Purchase Description   | Product/ Service | Contract Mechanism                         |
|----------------|----------------|---------------------|--|--|------------------|--|
| 4) NBCHF060106 | 44,748.96      | Fixed Price         | Department of Defense Personnel Security Research Center, 99 Pacific St., Suite 455-E, Monterey, CA                  | Asset Center License   | Product          | GSA Federal Supply Schedule Delivery Order |
| 5) NBCHF060052 | 7,589,541.90   | Time and Materials  | Defense Automatic Addressing System Center, 5250 Pearson Road, Area C, Bldg 207, Wright-Patterson Air Force Base, OH | Defense Automated Addressing System Center System Management & Command & Control Room Operations Support | Service          | GSA Federal Supply Schedule Task Order     |
| 6) NBCHF060102 | 8,262.00       | Fixed Price         | Department of Defense Personnel Security Research Center, 99 Pacific St., Suite 455-E, Monterey, CA                  | Lexis Nexis Renewal  | Services         | GSA Federal Supply Schedule Task Order     |
| 7) NBCHF060101 | 12,016.96      | Fixed Price         | Department of Defense Personnel Security Research Center, 99 Pacific St., Suite 455-E, Monterey, CA                  | Cognox Renewal   | Services         | GSA Federal Supply Schedule Task Order     |
| 8) NBCHF070005 | 884,634.00     | Time and Materials  | Office of the Under Secretary of Defense Intelligence, 5000 Defense Pentagon, Washington, D.C.                       | Administrative and Management Support Services   | Services         | GSA Federal Supply Schedule Task Order     |
| 9) NBCHC060051 | 499,443.00     | Cost Plus Fixed Fee | Defense Advanced Research Projects Agency, 3701 N Fairfax Drive, Arlington, VA                                       | Tactical Ground Reporting Network  | Services         | Broad Agency Announcement                  |

|                 | Contract Value | Contract Type       | DoD Requiring Activity  | Purchase Description  | Product/ Service | Contract Mechanism                         |
|-----------------|----------------|---------------------|---|---|------------------|--|
| 10) NBCHC060155 | 2,949,114.00   | Cost Plus Fixed Fee | National Security Agency Advanced Research and Development Activity, 9800 Savage Road, Ft. George G. Meade, MD              | Multilingual Videotext Understanding for Heterogeneous Domains  | Services         | Broad Agency Announcement                  |
| 11) NBCHC060158 | 2,957,068.11   | Cost No Fee         | National Security Agency Advanced Research and Development Activity, 9800 Savage Road, Ft. George G. Meade, MD              | Content-Based Search for Video  | Services         | Broad Agency Announcement                  |
| 12) NBCHC060178 | 799,414.00     | Fixed Price         | National Security Agency Advanced Research and Development Activity, 9800 Savage Road, Ft. George G. Meade, MD              | Research on English and Foreign Language Exploitation   | Services         | Broad Agency Announcement                  |
| 13) NBCHC060104 | 8,913,989.72   | Time and Materials  | Tricare Management Agency, Financial Operations, 5 Skyline Place, 5111 Leesburg Pike, Falls Church, VA                      | Non-Personal Services Related To Sustainment Associated With Maintaining The CHCS NT And The JMEWS System | Services         | Section 8(a) Native Hawaiian Organization  |
| 14) NBCHC070049 | 222,519.01     | Labor Hour          | Joint Program Executive Office for Chemical Biological Defense, 5109 Leesburg Pike, Skyline 6, Suite 401B, Falls Church, VA | Non-Personnel Services For Information Assurance Services   | Services         | Small Disadvantaged Veteran-Owned Business |
| 15) NBCHC060105 | 999,878.00     | Fixed Price         | National Security Agency Advanced Research and Development Activity, 9800 Savage Road, Ft. George G. Meade, MD              | Video Analysis and Content Extraction   | Services         | Broad Agency Announcement                  |

|                          | Contract Value         | Contract Type                              | DoD Requiring Activity   | Purchase Description   | Product/ Service | Contract Mechanism                                  |
|--------------------------|------------------------|--|--|--|------------------|---|
| 16) NBCHC060052          | 720,000.00             | Cost No Fee                                | Defense Advanced Research Projects Agency, 3701 N Fairfax Drive, Arlington, VA                 | Photonic Crystal Fiber-Enabled Micro Cryogenic Coolers for Terahertz Imagers Utilizing Hot Superconducting Hot Electron Bolometers | Services         | Broad Agency Announcement                           |
| 17) NBCHD060009 Order 02 | 1,700,000.00           | All Orders Are Fixed Price Level of Effort | All Orders Are Defense Advanced Research Projects Agency, 3701 N. Fairfax Drive, Arlington, VA | All Orders Are for Scientific, Engineering, and Technical Assistance and Administrative Support Services                           | Services         | All Orders Are Part of a Multiple-Award Arrangement |
| 18) NBCHD060009 Order 05 | 600,000.00             |  |  |  |                  |   |
| 19) NBCHD060010 Order 01 | 493,751.00             |  |  |  |                  |   |
| 20) NBCHD060011 Order 07 | 6,000,000.00           |  |  |  |                  |   |
| 21) NBCHD060011 Order 10 | 1,400,000.00           |  |  |  |                  |   |
| 22) NBCHD060013 Order 06 | 1,999,912.00           |  |  |  |                  |   |
| 23) NBCHD060013 Order 12 | 1,582,959.05           |  |  |  |                  |   |
| <b>Total</b>             | <b>\$47,559,925.31</b> |  |  |  |                  |   |

## Appendix D. GovWorks Contracting Problems

| Contract Number | Product/Service                   | Competition Not in Accordance With Competition Requirements | Competition Involving Only One Offer        | Inadequate Price Reasonableness Determination | Inadequate Review of Contractor Proposed Costs (Services Only) | Inadequate Independent Government Cost Estimate (Services Only) |
|-----------------|-----------------------------------|---|---|---|--|---|
| 1) 68820        | Products                          |   |   |   | Did Not Review   | Did Not Review  |
| 2) 66473        | Products                          |   |   |   | Did Not Review   | Did Not Review  |
| 3) 66597        | Products                          | •   | •   |   | Did Not Review   | Did Not Review  |
| 4) 66856        | Products                          | •   |   | •   | Did Not Review   | Did Not Review  |
| 5) 66669        | Products                          |   | •   | •   | Did Not Review   | Did Not Review  |
| 6) 66683        | Products                          | •   |   |   | Did Not Review   | Did Not Review  |
| 7) 66938        | Products                          |   | •   | •   | Did Not Review   | Did Not Review  |
| 8) 66987        | Products                          | •   | •   | •   | Did Not Review   | Did Not Review  |
| 9) 66854        | Products                          | •   |   | •   | Did Not Review   | Did Not Review  |
| 10) 66452       | Products                          | •   |   | •   | Did Not Review   | Did Not Review  |
| 11) 66417       | Products                          | •   | •   | •   | Did Not Review   | Did Not Review  |
| 12) 66575       | Products                          |   |   |   | Did Not Review   | Did Not Review  |
| 13) 67042       | Products                          | •   | •   |   | Did Not Review   | Did Not Review  |
| 14) 67044       | Products                          | •   | •   |   | Did Not Review   | Did Not Review  |
| 15) 67025       | Products                          |   |   |   | Did Not Review   | Did Not Review  |
| 16) 66321       | Services                          |   |   |   |  | •   |
| 17) 66268       | Services                          | •   |   |   |  | •   |
| 18) 62500       | Services                          |   |   |   |  | •   |
| 19) 66728       | Services                          |   |   |   |  | •   |
| 20) 66184       | Services                          | •   |   |   |  | •   |
| <b>Total</b>    | <b>15 Products<br/>5 Services</b> | <b>9 of 15 Products<br/>2 of 5 Services</b>                 | <b>7 of 15 Products<br/>0 of 5 Services</b> | <b>7 of 15 Products<br/>0 of 5 Services</b>   | <b>0 of 5 Services</b>   | <b>5 of 5 Services</b>  |

## Appendix E. Southwest Acquisition Branch Contracting Problems

| Contract Number       | Product/<br>Service               | Competition Not<br>in Accordance<br>With Competition<br>Requirements | Competition<br>Involving Only One<br>Offer   | Inadequate<br>Price<br>Reasonableness<br>Determination | Inadequate<br>Review of<br>Contractor<br>Proposed Costs<br>(Services Only) | Inadequate<br>Independent<br>Government<br>Cost Estimate<br>(Services Only) |
|-----------------------|-----------------------------------|--|--|--|--|---|
| 1) NBCHP060523        | Products                          |  | •  | •  | Did Not Review   | Did Not Review  |
| 2) NBCHF060093        | Products                          |  |  |  | Did Not Review   | Did Not Review  |
| 3) NBCHF060098        | Products                          |  | •  | •  | Did Not Review   | Did Not Review  |
| 4) NBCHF060106        | Products                          |  | •  | •  | Did Not Review   | Did Not Review  |
| 5) NBCHF060052        | Services                          | •  |  | •  | •  | •   |
| 6) NBCHF060102        | Services                          | •  | •  |  |  | •   |
| 7) NBCHF060101        | Services                          |  | •  |  |  | •   |
| 8) NBCHF070005        | Services                          | •  | •  | •  |  | •   |
| 9) NBCHC060051        | Services                          |  |  |  |  | Did Not Review  |
| 10) NBCHC060155       | Services                          |  |  |  |  | Did Not Review  |
| 11) NBCHC060158       | Services                          |  |  |  |  | Did Not Review  |
| 12) NBCHC060178       | Services                          |  |  |  |  | Did Not Review  |
| 13) NBCHC060104       | Services                          |  | •  | •  |  | •   |
| 14) NBCHC070049       | Services                          |  | •  |  | •  | •   |
| 15) NBCHC060105       | Services                          |  |  |  |  | Did Not Review  |
| 16) NBCHC060052       | Services                          |  |  |  |  | Did Not Review  |
| Multiple Award Orders |                                   |  |  |  |  |   |
| 17) NBCHD060009/02    | Services                          |  |  |  |  | Did Not Review  |
| 18) NBCHD060009/05    | Services                          |  |  |  | •  | Did Not Review  |
| 19) NBCHD060010/01    | Services                          | •  | •  | •  |  | Did Not Review  |
| 20) NBCHD060011/07    | Services                          |  | •  |  |  | Did Not Review  |
| 21) NBCHD060011/10    | Services                          |  | •  |  |  | Did Not Review  |
| 22) NBCHD060013/06    | Services                          |  | •  |  |  | Did Not Review  |
| 23) NBCHD060013/12    | Services                          |  | •  |  |  | Did Not Review  |
| <b>Total</b>          | <b>4 Products<br/>19 Services</b> | <b>0 of 4 Products<br/>4 of 19 Services</b>                          | <b>3 of 4 Products<br/>10 of 19 Services</b> | <b>3 of 4 Products<br/>4 of 19 Services</b>            | <b>3 of 19 Services</b>  | <b>6 of 6 Services</b>  |



## Appendix F. Potential Antideficiency Act Violations

The following is a list of 336 potential Antideficiency Act violations, valued at \$51 million, that we identified. To determine whether an Antideficiency Act violation potentially occurred, we compared the expiration date of the funds used with the contract action award date. Table F-1 identifies the funds used related to the potential violations along with the expiration dates of the funds.

**Table F-1. Appropriation Codes Used For the 336 Potential Antideficiency Act Violations**

| Appropriation Code | Appropriation Name   | Expiration Date |
|--------------------|--|-----------------|
| 9750130            | FY 2005 Defense Health Program, Defense Operations and Maintenance | 9/30/05         |
| 5743400            | FY 2004 Air Force Operations and Maintenance                       | 9/30/04         |
| 2152020            | FY 2005 Army Operations and Maintenance                            | 9/30/05         |
| 9730100            | FY 2003 Defense-Wide Operations and Maintenance                    | 9/30/03         |
| 2142020            | FY 2004 Army Operations and Maintenance                            | 9/30/04         |
| 1751806            | FY 2005 Navy Reserve Operations and Maintenance                    | 9/30/05         |
| 1751804            | FY 2005 Navy Operations and Maintenance                            | 9/30/05         |
| 2152065            | FY 2005 Army National Guard Operations and Maintenance             | 9/30/05         |
| 1751106            | FY 2005 Marine Corps Operations and Maintenance                    | 9/30/05         |
| 9760100            | FY 2006 Defense-Wide Operations and Maintenance                    | 9/30/06         |
| 9750100            | FY 2005 Defense-Wide Operations and Maintenance                    | 9/30/05         |
| 5763400            | FY 2006 Air Force Operations and Maintenance                       | 9/30/06         |
| 5753400            | FY 2005 Air Force Operations and Maintenance                       | 9/30/05         |
| 5743080            | FY 2004 Air Force Other Procurement                                | 9/30/06         |
| 1761106            | FY 2006 Marine Corps. Operations and Maintenance                   | 9/30/06         |
| 9760130            | FY 2006 Defense Health Program, Defense Operations and Maintenance | 9/30/06         |
| 1761804            | FY 2006 Navy Operations and Maintenance                            | 9/30/06         |
| 5753600            | FY 2005 Air Force Research, Development, Test and Evaluation       | 9/30/06         |
| 2162020            | FY 2006 Army Operations and Maintenance                            | 9/30/06         |

Potential Antideficiency Act Violations Identified at GovWorks

| A | B              | C         | D                  | E   | F   | G  | H   | I  |
|---|----------------|-----------|--------------------|---|---|--|---|--|
|   | MIPR Number    | MIPR Date | Appropriation Code | Appropriation Name and MIPR Description   | DoD Agency Issuing MIPR                             | Contract Action No.  | Contract Action Date  | Potential ADA Amount   |
| 1 | DRAM58100      | 9/21/05   | 9750130            | FY 2005 Defense Health Program<br><br>Purchased care fallover lease solution for IBM hardware and software  | TRICARE Management Activity, Falls Church, Virginia | GSA FSS Order 61294  | 12/23/2005  | 14,020,102.00  |
| 2 | NMIPRO49209867 | 9/10/04   | 5743400            | FY 2004 Air Force O&M<br><br>Preliminary planning support for AF strategic sourcing program & enterprise wide study   | HQ USAF/DPMS, Pentagon                              | GSA BPA 43793 Order 44656/0001<br>GSA BPA 43794 Order 61052/0001<br>GSA BPA 43793 Order 61154<br>GSA BPA 43795 Order 61587<br>GSA BPA 43793 Order 61589<br>GSA BPA 43797 Order 61590<br>GSA BPA 43793 Order 61591<br>GSA BPA 43793 Order 61591 Modification 2<br>GSA BPA 43793 Order 62722   | 10/4/2005<br>12/29/2005<br>12/15/2005<br>3/16/2006<br>4/4/2006<br>4/24/2006<br>4/27/2006<br>6/8/2006<br>8/3/2006  | 3,176.00<br>1,007.99<br>67,482.85<br>99,926.50<br>65,091.00<br>89,628.00<br>26,897.00<br>14,765.00<br>85,557.00  |
| 3 | F1AF2S4357G001 | 12/22/04  | 5753400            | FY 2005 Air Force O&M<br><br>Funding to purchase products and services related to facility management activities such as system and free standing furniture, associate labor, casegoods, space planning, programming, reconfiguration, installation, interior finishes (carpet, draperies, etc.), computer support and services and comprehensive furniture management services | SAF/AAF, Pentagon                                   | GSA FSS Order 43254 Modification 1<br>GSA FSS Order 43254 Modification 2<br>GSA FSS Order 60783<br>GSA FSS Order 60783 Modification 1<br>GSA FSS Order 61317<br>GSA FSS Order 61319<br>GSA FSS Order 61335<br>GSA FSS Order 61471<br>GSA FSS Order 61621<br>GSA FSS Order 61622<br>GSA FSS Order 61623<br>GSA FSS Order 61712<br>GSA FSS Order 61768<br>GSA FSS Order 61870<br>GSA FSS Order 61918<br>GSA FSS Order 61955<br>GSA FSS Order 61956<br>GSA FSS Order 61957<br>GSA FSS Order 61958<br>GSA FSS Order 61959<br>GSA FSS Order 61960<br>GSA FSS Order 61961<br>GSA FSS Order 61962<br>GSA FSS Order 62022<br>GSA FSS Order 62025<br>GSA FSS Order 62130<br>GSA FSS Order 62133<br>GSA FSS Order 62150<br>GSA FSS Order 62174<br>GSA FSS Order 62239<br>GSA FSS Order 62241<br>GSA FSS Order 62247<br>GSA FSS Order 62249<br>GSA FSS Order 62252<br>GSA FSS Order 62253<br>GSA FSS Order 62364<br>GSA FSS Order 62392<br>GSA FSS Order 62393<br>GSA FSS Order 62396<br>GSA FSS Order 62397<br>GSA FSS Order 62399 | 1/24/2006<br>1/27/2006<br>11/9/2005<br>4/19/2006<br>11/21/2005<br>12/28/2005<br>12/30/2005<br>1/23/2006<br>2/14/2006<br>2/13/2006<br>2/14/2006<br>2/17/2006<br>3/2/2006<br>3/8/2006<br>3/13/2006<br>3/13/2006<br>3/13/2006<br>3/13/2006<br>3/13/2006<br>3/13/2006<br>3/13/2006<br>3/13/2006<br>3/13/2006<br>3/20/2006<br>3/20/2006<br>4/4/2006<br>4/4/2006<br>4/4/2006<br>4/7/2006<br>4/14/2006<br>4/20/2006<br>4/20/2006<br>4/20/2006<br>5/2/2006<br>5/4/2006<br>5/4/2006<br>5/23/2006<br>5/4/2006 | 8,155.00<br>5,451.00<br>745,202.39<br>4,860.00<br>26,548.33<br>6,844.17<br>15,881.60<br>7,705.85<br>16,126.50<br>5,929.00<br>2,802.15<br>3,307.25<br>1,139,554.64<br>2,218.05<br>13,009.44<br>12,926.50<br>6,740.00<br>16,803.86<br>142,584.02<br>4,853.00<br>26,813.56<br>12,093.00<br>23,785.47<br>5,196.00<br>4,580.74<br>6,650.92<br>1,482.85<br>32,553.36<br>8,618.90<br>2,702.50<br>7,198.44<br>37,944.20<br>4,735.70<br>2,806.55<br>5,420.60<br>73,742.22<br>3,420.88<br>38,264.08<br>62,329.99<br>16,413.71<br>20,682.40 |

Potential Antideficiency Act Violations Identified at GovWorks

| A           | B                       | C                  | D   | E   | F  | G   | H  | I |
|-------------|-------------------------|--------------------|---|---|--|---|--|---|
| MIPR Number | MIPR Date               | Appropriation Code | Appropriation Name and MIPR Description   | DoD Agency Issuing MIPR                               | Contract Action No.  | Contract Action Date  | Potential ADA Amount   |   |
| 3           | F1AF2S4357G001 (cont'd) | 5753400            | FY 2005 Air Force O&M<br><br>Funding to purchase products and services related to facility management activities such as system and free standing furniture, associate labor, casegoods, space planning, programming, reconfiguration, installation, interior finishes (carpet, draperies, etc.), computer support and services and comprehensive furniture management services | SAF/AAF, Pentagon                                     | GSA FSS Order 62437<br>GSA FSS Order 62438<br>GSA FSS Order 62547<br>GSA FSS Order 62547 Modification 1<br>GSA FSS Order 62577<br>GSA FSS Order 62582<br>GSA FSS Order 62620<br>GSA FSS Order 62857<br>GSA FSS Order 62870<br>GSA FSS Order 62871<br>GSA FSS Order 62872<br>GSA FSS Order 62894<br>GSA FSS Order 62917<br>GSA FSS Order 62989<br>GSA FSS Order 63076<br>GSA FSS Order 63078<br>GSA FSS Order 63173<br>GSA FSS Order 63228<br>GSA FSS Order 63230<br>GSA FSS Order 63231<br>GSA FSS Order 63232<br>GSA FSS Order 63278<br>GSA FSS Order 63283<br>GSA FSS Order 63458<br>GSA FSS Order 63459<br>GSA FSS Order 63489<br>GSA FSS Order 63594<br>GSA FSS Order 63597<br>GSA FSS Order 63623<br>GSA FSS Order 63729<br>GSA FSS Order 63730<br>GSA FSS Order 63731<br>GSA FSS Order 63737<br>GSA FSS Order 63738<br>GSA FSS Order 63739<br>GSA FSS Order 63740<br>GSA FSS Order 63784<br>GSA FSS Order 63789<br>GSA FSS Order 63790<br>GSA FSS Order 63805<br>GSA FSS Order 63836<br>Purchase Card CH047<br>Purchase Card CH049 | 5/10/2006<br>5/10/2006<br>5/18/2006<br>8/15/2006<br>5/23/2006<br>5/23/2006<br>6/20/2006<br>6/21/2006<br>6/27/2006<br>6/27/2006<br>6/27/2006<br>7/5/2006<br>7/13/2006<br>7/13/2006<br>8/4/2006<br>8/4/2006<br>8/17/2006<br>8/15/2006<br>9/1/2006<br>9/1/2006<br>9/8/2006<br>9/16/2006<br>9/8/2006<br>9/12/2006<br>9/18/2006<br>9/18/2006<br>9/15/2006<br>9/15/2006<br>9/15/2006<br>9/18/2006<br>9/18/2006<br>9/18/2006<br>9/18/2006<br>9/18/2006<br>9/19/2006<br>9/19/2006<br>1/10/2006<br>? | 8,000.00<br>15,956.62<br>3,086.60<br>1,992.79<br>15,424.56<br>6,405.18<br>2,192.88<br>101,136.97<br>55,442.76<br>5,127.15<br>5,397.29<br>7,488.80<br>19,736.11<br>13,486.96<br>2,603.68<br>2,599.35<br>14,378.94<br>1,147.18<br>1,385.40<br>6,803.24<br>6,740.98<br>18,048.32<br>15,610.98<br>3,276.09<br>14,009.71<br>7,028.62<br>11,647.00<br>3,800.00<br>29,913.60<br>18,070.30<br>63,840.00<br>27,356.00<br>112,705.25<br>8,971.40<br>50,438.00<br>28,797.80<br>46,595.99<br>69,688.95<br>354,601.50<br>30,246.00<br>10,434.13<br>2,015.94<br>2,262.66 |   |
| 4           | N6890805MPO5402         | 5/17/05            | FY 2005 Defense Health Program<br><br>Collateral equipment funds for MILCON project P-225, medical/dental conversion, bldg 275, Washington Navy Yard  | Naval Healthcare Support Office, Portsmouth, Virginia | Single Award IDIQ Contract 1435-01-04-CT-32814 Order 60002<br>BPA Purchase Order 1406-04-06-PO-60341 (Simplified Acquisition Procedures)<br>GSA FSS Order 61136<br>GSA FSS V797P-3459K Order 61342<br>GSA FSS V797P-3809K Order 61343<br>GSA FSS Order 61344<br>GSA FSS Order 61345<br>GSA FSS Order 61345 Mod 1<br>GSA FSS Order 61346<br>GSA FSS Order 61371<br>GSA FSS Order 61383<br>GSA FSS V979P-4195A Order 61404   | 11/23/2005<br>12/6/2005<br>1/20/2006<br>3/28/2006<br>1/10/2006<br>1/10/2006<br>1/10/2006<br>8/9/2006<br>1/10/2006<br>1/10/2006<br>1/10/2006<br>1/17/2006  | 146,411.64<br>230,200.00<br>126,378.07<br>6,969.00<br>1,436.40<br>297.70<br>2,993.33<br>798.63<br>396.07<br>584.24<br>889.40<br>3,083.76   |   |



Potential Antideficiency Act Violations Identified at GovWorks

| A   | B                        | C                  | D  | E   | F  | G                    | H                    | I |
|---|--------------------------|--------------------|--|---|--|----------------------|----------------------|---|
| MIPR Number   | MIPR Date                | Appropriation Code | Appropriation Name and MIPR Description  | DoD Agency Issuing MIPR                               | Contract Action No.  | Contract Action Date | Potential ADA Amount |   |
| 4   | N6890805MPO5402 (cont'd) | 9750130            | FY 2005 Defense Health Program<br><br>Collateral equipment funds for MILCON project P-225, medical/dental conversion, bldg 275, Washington Navy Yard | Naval Healthcare Support Office, Portsmouth, Virginia | GSA FSS V797P-4815A Order 61522                              | 3/30/2006            | 3,043.41             |   |
|   |                          |                    |  |   | GSA FSS Order 61545  | 1/30/2006            | 5,507.60             |   |
|   |                          |                    |  |   | GSA FSS Order 61566  | 1/30/2006            | 5,834.36             |   |
|   |                          |                    |  |   | GSA FSS Order 61566 Modification 1                           | 2/24/2006            | 881.00               |   |
|   |                          |                    |  |   | GSA FSS Order 61569  | 1/30/2006            | 8,479.00             |   |
|   |                          |                    |  |   | GSA FSS V797P-4090A Order 61776                              | 2/21/2006            | 793.42               |   |
|   |                          |                    |  |   | GSA FSS V797P-4090A Order 61780                              | 2/22/2006            | 1,027.00             |   |
|   |                          |                    |  |   | BPA Purchase Order 61783 (Simplified Acquisition Procedures) | 3/1/2006             | 910.06               |   |
|   |                          |                    |  |   | GSA FSS Order 61786  | 2/24/2006            | 657.00               |   |
|   |                          |                    |  |   | GSA FSS Order 61821  | 2/24/2006            | 2,335.00             |   |
|   |                          |                    |  |   | GSA FSS V797P-3057M Order 61823                              | 2/28/2006            | 14,649.66            |   |
|   |                          |                    |  |   | GSA FSS V797P-3437K Order 61824                              | 2/24/2006            | 2,970.00             |   |
|   |                          |                    |  |   | GSA FSS Order 61830  | 3/3/2006             | 5,298.00             |   |
|   |                          |                    |  |   | GSA FSS V797P-3588K Order 61831                              | 2/24/2006            | 17,731.04            |   |
|   |                          |                    |  |   | GSA FSS V797P-4282A Order 61834                              | 2/24/2006            | 14,632.08            |   |
|   |                          |                    |  |   | GSA FSS V797P-3032M Order 61905                              | 3/3/2006             | 18,001.17            |   |
|   |                          |                    |  |   | GSA FSS V797P-4090A Order 61906                              | 3/7/2006             | 10,740.00            |   |
|   |                          |                    |  |   | GSA FSS V797P-3032M Order 61907                              | 3/7/2006             | 12,728.10            |   |
|   |                          |                    |  |   | GSA FSS V797P-446A Order 61921                               | 3/14/2006            | 35,083.76            |   |
|   |                          |                    |  |   | BPA/Purchase Order 61923 (Simplified Acquisition Procedures) | 3/8/2006             | 23,745.32            |   |
|   |                          |                    |  |   | BPA/Purchase Order 61926 (Simplified Acquisition Procedures) | 3/8/2006             | 243,179.27           |   |
|   |                          |                    |  |   | GSA FSS V797P-436A Order 61930                               | 3/8/2006             | 50,802.00            |   |
|   |                          |                    |  |   | GSA FSS Order 61986  | 3/15/2006            | 469,397.16           |   |
|   |                          |                    |  |   | GSA FSS Order 61986 Modification 1                           | 10/13/2006           | 15,900.00            |   |
|   |                          |                    |  |   | GSA FSS Order 62002  | 3/17/2006            | 633.76               |   |
|   |                          |                    |  |   | GSA FSS Order 62003  | 3/17/2006            | 424.32               |   |
|   |                          |                    |  |   | GSA FSS Order 62004  | 3/17/2006            | 1,122.78             |   |
|   |                          |                    |  |   | GSA FSS V797P-4815A Order 62100                              | 3/30/2006            | 2,539.53             |   |
|   |                          |                    |  |   | GSA FSS V797P-3057M Order 62107                              | 3/30/2006            | 20,109.60            |   |
|   |                          |                    |  |   | GSA FSS V797P-3032M Order 62108                              | 3/30/2006            | 509,938.50           |   |
|   |                          |                    |  |   | GSA FSS Order 62111  | 3/30/2006            | 5,719.00             |   |
|   |                          |                    |  |   | GSA FSS Order 62113  | 3/30/2006            | 4,223.00             |   |
| BPA/Purchase Order 62152 (Simplified Acquisition Procedures)                | 4/10/2006                | 2,033.00           |  |   |  |                      |                      |   |
| BPA/Purchase Order 62153 (Simplified Acquisition Procedures)                | 4/10/2006                | 2,191.88           |  |   |  |                      |                      |   |
| GSA FSS Order 62175   | 4/10/2006                | 81,416.40          |  |   |  |                      |                      |   |
| GSA FSS Order 62177   | 4/10/2006                | 16,839.53          |  |   |  |                      |                      |   |
| GSA FSS Order 62187   | 4/10/2006                | 20,495.93          |  |   |  |                      |                      |   |
| GSA FSS V797P-4090A Order 62188   | 4/10/2006                | 6,881.24           |  |   |  |                      |                      |   |
| GSA FSS Order 62212   | 4/12/2006                | 4,188.00           |  |   |  |                      |                      |   |
| GSA FSS Order 62250   | 8/31/2006                | 27,516.52          |  |   |  |                      |                      |   |
| GSA FSS Order 62331   | 6/12/2006                | 53,716.75          |  |   |  |                      |                      |   |
| GSA FSS Order 62331 Modification 2  | 8/15/2006                | 11,940.00          |  |   |  |                      |                      |   |
| GSA FSS V797P-3032M Order 62427   | 5/10/2006                | 34,944.60          |  |   |  |                      |                      |   |
| GSA FSS V797P-3032M Order 62429   | 5/10/2006                | 13,734.80          |  |   |  |                      |                      |   |
| GSA FSS V797P-3032M Order 62431   | 5/10/2006                | 125,418.90         |  |   |  |                      |                      |   |
| BPA/Purchase Order 62474 (Simplified Acquisition Procedures)                | 5/15/2006                | 5,470.00           |  |   |  |                      |                      |   |
| BPA/Purchase Order 62475 (Simplified Acquisition Procedures)                | 5/15/2006                | 7,700.00           |  |   |  |                      |                      |   |
| BPA/Purchase Order 62484 (Simplified Acquisition Procedures)                | 5/15/2006                | 35,740.45          |  |   |  |                      |                      |   |
| BPA/Purchase Order 62484 Modification 1 (Simplified Acquisition Procedures) | 8/10/2006                | 511.92             |  |   |  |                      |                      |   |

Potential Antideficiency Act Violations Identified at GovWorks

| A | B                         | C         | D                  | E  | F   | G   | H                    | I                    |
|---|---------------------------|-----------|--------------------|--|---|---|----------------------|----------------------|
|   | MIPR Number               | MIPR Date | Appropriation Code | Appropriation Name and MIPR Description  | DoD Agency Issuing MIPR                               | Contract Action No.   | Contract Action Date | Potential ADA Amount |
| 4 | NG6890805MPO5402 (cont'd) | 5/17/05   | 9750130            | FY 2005 Defense Health Program<br>Collateral equipment funds for MILCON project P-225, medical/dental conversion, bldg 275, Washington Navy Yard       | Naval Healthcare Support Office, Portsmouth, Virginia | BPA/Purchase Order 62485 ( Simplified Acquisition Procedures)     | 5/15/2006            | 91,824.00            |
|   |                           |           |                    |  |   | GSA FSS V797P-4408A Order 62613                                   | 5/26/2006            | 2,248.00             |
|   |                           |           |                    |  |   | BPA/Purchase Order 62617 ( Simplified Acquisition Procedures)     | 6/30/2006            | 10,552.50            |
|   |                           |           |                    |  |   | GSA FSS V797P-3861K Order 62765                                   | 6/12/2006            | 3,627.00             |
|   |                           |           |                    |  |   | GSA FSS 1406-04-06-CT-62202 Order 62800                           | 8/17/2006            | 230,459.50           |
|   |                           |           |                    |  |   | GSA FSS V797P-4328A Order 62848                                   | 6/21/2006            | 12,542.07            |
|   |                           |           |                    |  |   | GSA FSS Order 62988   | 7/5/2006             | 2,612.00             |
|   |                           |           |                    |  |   | GSA FSS V797P-4090A Order 63096                                   | 7/14/2006            | 14,870.19            |
|   |                           |           |                    |  |   | GSA FSS V797P-3393K Order 63181                                   | 7/28/2006            | 15,075.00            |
|   |                           |           |                    |  |   | BPA/Purchase Order 63275 (Simplified Acquisition Procedures)      | 8/9/2006             | 3,177.81             |
|   |                           |           |                    |  |   | BPA/Purchase Order 63521 (Simplified Acquisition Procedures)      | 8/30/2006            | 21,198.66            |
|   |                           |           |                    |  |   | BPA/Purchase Order 63647  | 9/14/2006            | 11,340.00            |
|   |                           |           |                    |  |   | GSA FSS Order 63649   | 9/14/2006            | 145,779.95           |
|   |                           |           |                    |  |   | GSA FSS Order 63669   | 9/22/2006            | 36,733.10            |
|   |                           |           |                    |  |   | BPA/Purchase Order W81XWH-04-D-0019 Order 63679                   | 9/14/2006            | 153,861.38           |
|   |                           |           |                    |  |   | BPA/Purchase Order 63895  | 9/21/2006            | 35,656.92            |
|   |                           |           |                    |  |   | GSA FSS Order 63913   | 9/22/2006            | 184,355.50           |
|   |                           |           |                    |  |   | GSA FSS V797P4090a Order 66222                                    | 10/11/2006           | 14,721.28            |
|   |                           |           |                    |  |   | Purchase Card CE035   | 4/18/2006            | 748.80               |
|   |                           |           |                    |  |   | Purchase Card CZ647   | 12/15/2005           | 578.69               |
|   |                           |           |                    |  |   | Purchase Card CZ686   | 9/30/2006            | 194.00               |
|   |                           |           |                    |  |   | Purchase Card CZ687   | No Date              | 382.22               |
|   |                           |           |                    |  |   | Purchase Card CZ763   | 5/22/2006            | 940.80               |
|   |                           |           |                    |  |   | Purchase Card CZ765   | 5/16/2006            | 1,570.34             |
|   |                           |           |                    |  |   | Purchase Card CZ765-1   | 7/13/2006            | 4.50                 |
|   |                           |           |                    |  |   | Purchase Card CZ766   | 5/22/2006            | 239.85               |
|   |                           |           |                    |  |   | Purchase Card CZ831   | 9/8/2006             | 895.00               |
|   |                           |           |                    |  |   | Purchase Card CZ832   | 9/8/2006             | 502.50               |
|   |                           |           |                    |  |   | Purchase Card CZ833   | 9/8/2006             | 112.50               |
| 5 | MIPRSLGVW/K0146           | 9/23/05   | 2152020            | FY 2005 Army O&M<br>Funds are provided to fund task B task order 86486   | HQDA/CIO/G6 AKO Division, Arlington, Virginia         | GSA FSS Order 86486 Modification 57                               | 11/9/2005            | 3,463,526.67         |
| 6 | DERM30064A2XP9            | 8/12/03   | 9730100            | FY 2003 Defense-Wide O&M<br>Funding supports fitness demonstration projects, as per attached statement of work   | OSD, Quality of Life Office, Pentagon                 | Single Award IDIQ Contract 0404CT36874 Order 43323 Modification 1 | 11/29/2005           | 3,720.00             |
|   |                           |           |                    |  |   | Single Award IDIQ Contract 0404CT36874 Order 62203                | 4/11/2006            | 2,788,734.92         |
| 7 | DRAM51830                 | 9/20/05   | 9750130            | FY 2005 Defense Health Program<br>FY 05 O&M funding. Modification to add funding shortfall to contract GS-10F-0081J order #S7170 and correct fund cite | TRICARE Management Activity, Falls Church, Virginia   | GSA FSS Order 87170 Modification 14                               | 10/3/2005            | 119,996.69           |
|   |                           |           |                    |  |   | Modification 15   | 2/20/2006            | 2,562,209.70         |

## Potential Antideficiency Act Violations Identified at GovWorks

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Potential Antideficiency Act Violations Identified at GovWorks

| A  | B                        | C         | D                  | E  | F   | G   | H   | I   |
|----|--------------------------|-----------|--------------------|--|---|---|---|---|
|    | MIPR Number              | MIPR Date | Appropriation Code | Appropriation Name and MIPR Description  | DoD Agency Issuing MIPR   | Contract Action No.   | Contract Action Date  | Potential ADA Amount  |
| 9  | N4027305MP00121 (cont'd) | 4/11/05   | 1751806            | FY 2005 Navy Reserve O&M<br><br>AT/FP gear to support the OVM<br>EST/NCWG  | Commander, U. S. Atlantic Fleet,<br>Norfolk, Virginia   | BPA/Purchase Order 62646 (Simplified Acquisition Procedures)<br>BPA/Purchase Order 62647 (Simplified Acquisition Procedures)<br>BPA/Purchase Order 63037 Simplified Acquisition Procedures)<br>BPA/Purchase Order 63530 (Simplified Acquisition Procedures)<br>Purchase Card CN072<br>Purchase Card CS440 (GSA FSS)<br>Purchase Card CS440-A1 (GSA FSS)<br>Purchase Card CS487 (GSA FSS)<br>Purchase Card CS553<br>Purchase Card CS553-A1<br>Purchase Card CY009-A1<br>Purchase Card CY048<br>Purchase Card CY049<br>Purchase Card CY050<br>Purchase Card CZ625<br>Purchase Card CZ625A1<br>Purchase Card CZ625A2 | 5/30/2006<br>5/30/2006<br>7/10/2006<br>8/31/2006<br>11/28/2005<br>11/28/2005<br>11/28/2005<br>4/26/2006<br>8/3/2006<br>8/3/2006<br>3/8/2006<br>4/20/2006<br>4/26/2006<br>4/28/2006<br>No Date<br>No Date<br>No Date | 13,202.40<br>65,787.20<br>723.77<br>63,960.00<br>236.25<br>4,490.00<br>2,352.50<br>4,417.60<br>41.19<br>58.33<br>556.00<br>1,275.88<br>762.04<br>1,857.60<br>906.00<br>453.00<br>755.00 |
| 10 | N6838905MPA1041          | 8/8/05    | 1751804            | FY 2005 Navy O&M<br><br>Collateral equipment funds are issued to support special project RECM32-4 renovate building 352 and 400 for the Joint Intelligence Center, Pacific | Joint Intelligence Center Pacific,<br>Pearl Harbor, Hawaii  | GSA FSS Order 60436<br>GSA FSS Order 60436 Modification 1<br>GSA FSS Order 60436 Modification 2<br>GSA FSS Order 60437<br>GSA FSS Order 61496<br>GSA FSS Order 61496 Modification 1<br>GSA FSS Order 61496 Modification 2<br>Purchase Card CS431<br>Purchase Card CS432   | 11/7/2005<br>11/16/2005<br>4/24/2006<br>11/3/2005<br>4/18/2006<br>9/18/2006<br>10/13/2006<br>11/16/2005<br>11/9/2005  | 75,744.17<br>1,001.42<br>4,172.96<br>18,361.66<br>1,472,491.68<br>10,574.96<br>74,932.20<br>540.00<br>2,927.20  |
| 11 | N0001205MPF0014          | 9/23/05   | 1751804            | FY 2005 Navy O&M<br><br>Enterprise program management support  | Financial Management Division,<br>Assistant for Administration<br>(UNSECNAV) Navy Annex,<br>Arlington, Virginia | GSA Order 43863 Modification 1  | 11/1/2005   | 1,823,422.00  |
| 12 | MIPR5CINTMM014           | 12/13/04  | 2152020            | FY 2005 Army O&M<br><br>Support for AUTODIN gateway support  | USAITA, Pentagon  | GSA FSS Order 60941<br>GSA FSS Order 61407<br>New Definitive Contract 1435-04-06-CT-61606   | 12/12/2005<br>1/10/2006<br>3/31/2006  | 268,450.00<br>84,150.00<br>367,503.45   |
| 13 | MIPR5BASMSU001           | 7/15/05   | 2152065            | FY 2005 Army National Guard O&M<br><br>Medical readiness modules in MODs   | NGB-ARZ-DRM-Arlington, Virginia   | GSA FSS 60208<br>GSA FSS 60409  | 10/6/2005<br>10/13/2005   | 333,783.27<br>610,579.16  |
| 14 | MIPR5MKPVZ0154           | 9/23/05   | 9750130            | FY 2005 Defense Health Program<br><br>Programming support for USMEPCOM   | HQ USMEPCOM, North Chicago,<br>Illinois   | GSA FSS Order 0406D060020   | 10/20/2005  | 1,548,035.18  |
| 15 | MIPR5DDIIFD423           | 1/14/05   | 2152020            | FY 2005 Army O&M<br><br>Funds for Defense information infrastructure   | Department of the Army, Office of<br>the Deputy Chief of Staff, G4,<br>Pentagon                                 | BPA/Purchase Order 1435-04-06-P060147<br>(Simplified Acquisition Procedures)  | 10/3/2005   | 1,557,109.91  |

Potential Antideficiency Act Violations Identified at GovWorks

| A  | B                   | C         | D                  | E  | F  | G  | H  | I  |
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|    | MIPR Number         | MIPR Date | Appropriation Code | Appropriation Name and MIPR Description  | DoD Agency Issuing MIPR  | Contract Action No.  | Contract Action Date   | Potential ADA Amount   |
| 16 | M0008905MPC2063     | 7/21/05   | 1751106            | FY 2005 Marine Corps O&M<br>Funds for IT services  | Commanding Office MCNOSC,<br>Quantico, Virginia                                | GSA FSS Order 0406D060550  | 10/24/2005   | 261,937.36   |
| 17 | 06-03-17            | 6/22/06   | 9760100            | Defense-Wide FY 06 O&M<br>38 workstations, 4 task chairs, 15 guest chairs and installation   | Defense Contract Audit Agency, Mid Atlantic Region, Philadelphia, Pennsylvania | GSA FSS Order 66270<br>GSA FSS Order 66271<br>GSA FSS Order 66564<br>GSA FSS Order 66575<br>GSA FSS Order 66853<br>GSA FSS Order 66854<br>GSA FSS Order 66854/Mod 1<br>GSA FSS Order 67147 | 10/12/06<br>10/12/06<br>11/20/06<br>01/04/07<br>12/07/06<br>12/19/06<br>03/13/07<br>01/23/07 | 54,805.73<br>44,815.20<br>12,340.95<br>24,695.48<br>41,506.94<br>229,997.37<br>12,214.84<br>5,499.69 |
| 18 | DHAM50044           | 12/7/04   | 9750100            | Defense-Wide FY 05 O&M<br>Funds for the OSD declassification support contract  | DoD Washington Headquarters Services, Washington DC                            | GSA FSS Order 60547  | 11/03/06   | 2,687.89   |
| 19 | DHAM60055           | 12/6/05   | 9760100            | Defense-Wide FY 06 O&M<br>Funds for FY 2006 contractor support to the declassification project   | DoD Washington Headquarters Services, Washington DC                            | GSA FSS Order 60547  | 11/03/06   | 967,772.32   |
| 20 | DHAM60083           | 1/23/06   | 9760100            | Defense-Wide FY 06 O&M<br>Funds for FY 2006 contractor support to the declassification project   | DoD Washington Headquarters Services, Washington DC                            | GSA FSS Order 60547  | 11/03/06   | 2,483.20   |
| 21 | F1AF2B6229G001      | 8/17/06   | 5763400            | Air Force FY 06 O&M<br>Pay Air Force portion of COCOM record review funding  | SAF/FME, Pentagon  | GSA FSS Order 60547/Mod 0003   | 01/23/07   | 1,414.66   |
| 22 | F1D3265256G001/0002 | 11/29/06  | 5753400            | Air Force FY 2005 O&M<br>To provide labor, tools, parts, materials and transportation to repair/service Bld. 3445  | 89 CES/CERF, Andrews Air Force Base, Maryland                                  | New Definitive Contract 0404CT36570 Order 37300/Mod 003  | 02/05/07   | 451,702.00   |
| 23 | F2BDEC6265G001      | 9/22/06   | 5743080            | Air Force FY04 Other Procurement<br>Funds provided to support GCSS-AF program hardware purchases   | HQ OSSW/EISS/EID, Hanscom Air Force Base, Massachusetts                        | GSA FSS Order 63622 Modification 0001  | 01/19/07   | 7,543.34   |
| 24 | LT6ZKA60016         | 9/15/06   | 9760100            | Defense-Wide FY 06 O&M<br>Funds identified to provide support for achieving the DIUSD(L&MR) organization practices and policies as it relates to USD (AT & L) directives | Defense Logistics Agency, Fort Belvoir, Virginia                               | New Definitive Contract 0407CT67048  | 01/18/07   | 327,583.60   |
| 25 | M0008066RQDD036     | 9/25/06   | 1761106            | Marine Corp. FY 06 O&M<br>IT hardware, software, consumables and supplies  | Headquarters, United States Marine Corps, Washington DC                        | GSA FSS Order 67063  | 01/17/07   | 1,186,279.38   |

Potential Antideficiency Act Violations Identified at GovWorks

| A  | B               | C         | D                  | E  | F   | G   | H  | I  |
|----|-----------------|-----------|--------------------|--|---|---|--|--|
|    | MIPR Number     | MIPR Date | Appropriation Code | Appropriation Name and MIPR Description  | DoD Agency Issuing MIPR   | Contract Action No.   | Contract Action Date   | Potential ADA Amount   |
| 26 | MIPR0004960261  | 6/16/04   | 5743400            | Air Force FY 2004 O&M<br><br>To provide a contractor's proposal for the renovation of building 3445  | S9 CES/CERF, Andrews Air Force Base, Maryland   | New Definitive Contract 0404CT36570 Order 37300   | 09/23/05   | 150,000.00   |
| 27 | MIPR6EBCNK7500  | 1/18/06   | 9760130            | FY 2006 Defense Health Program O&M<br><br>Funds are provided to purchase the following: furniture, artwork and medical/non-medical equipment for 121st General Hospital, South Korea | Resource Management Division, Wonnack Army Medical Center, Fort Bragg, North Carolina | GSA FSS Order 66669   | 01/13/07   | 190,612.43   |
| 28 | MIPR6JBCN2004   | 6/29/06   | 9760130            | FY 2006 Defense Health Program O&M<br><br>Funds are provided to purchase non-medical equipment for Bagram Afghanistan combat support hospital  | Resource Management Division, Wonnack Army Medical Center, Fort Bragg, North Carolina | GSA FSS Order 66226<br>GSA FSS Order 66485<br>GSA FSS Order 66535<br>GSA FSS Order 66545<br>GSA FSS Order 66614<br>GSA FSS Order 66643<br>GSA FSS Order 66669<br>Open Market Contract 66542<br>Open Market Contract 66544<br>Purchase Card CB164<br>Purchase Card CZ 920<br>Purchase Card CZ884<br>Purchase Card CZ885<br>Purchase Card CZ913 | 10/02/06<br>10/19/06<br>10/30/06<br>10/27/06<br>11/09/06<br>01/16/07<br>01/13/07<br>10/27/06<br>10/27/06<br>10/10/06<br>11/14/06<br>10/24/06<br>10/24/06<br>11/13/06 | 49,657.22<br>5,750.00<br>3,206.00<br>8,400.00<br>7,533.00<br>8,927.75<br>96,479.66<br>5,744.00<br>3,255.00<br>1,249.50<br>2,089.88<br>253.20<br>836.64<br>1,230.48 |
| 29 | N0003806MP01065 | 8/17/06   | 1761804            | Navy FY06 O&M<br><br>PACOMs declassification reviews in accordance with Executive Order 12958  | Commander, US Pacific CMD, Camp H.M. Smith, Hawaii                                    | GSA FSS Order 60547/Mod 0003  | 01/23/07   | 276,480.00   |
| 30 | N0005206MP001G6 | 8/2/06    | 1761804            | Navy FY06 O&M<br><br>Collateral equipment funding provided for FY 05 UMC P-794 construct command and control facilities  | Commander, Navy Installations, Washington DC  | GSA FSS Order 66106<br>GSA FSS Order 67024<br>GSA FSS Order 67025<br>GSA FSS Order 67027<br>Open Market Contract 67026<br>Purchase Card CB183   | 10/06/06<br>01/11/07<br>01/11/07<br>01/16/07<br>01/22/07<br>10/13/06   | 87,215.10<br>5,305.30<br>18,478.60<br>4,756.80<br>19,392.76<br>1,374.00  |
| 31 | N0006006MP0011M | 2/28/06   | 1761804            | Navy FY 06 O&M<br><br>Furniture purchase for the renovated flag spaces in NHIS and for the relocation of the flag deck from NH4N to NH1S   | Commander, U.S. Atlantic Fleet, Norfolk, Virginia                                     | GSA FSS Order 63502, Modification 0002  | 01/17/07   | 9,684.34   |
| 32 | N0006606MPJQ060 | 8/21/06   | 1761804            | Navy FY06 O&M<br><br>Funds provided for USJFCOM AT WHS under GovWorks contract 41268   | US Joint Forces Command, Norfolk, Virginia  | GSA FSS Order 60547/Mod 0003  | 01/23/07   | 270.34   |
| 33 | NG286306RC244V7 | 9/15/06   | 1761804            | Navy FY 06 O&M<br><br>Miscellaneous hardware for supply fuels division   | Naval Station, Rota, Spain  | BPA/Purchase Order 66890 (Simplified Acquisition Procedures)  | 01/17/07   | 17,091.70  |



Potential Antideficiency Act Violations Identified at GovWorks

| A  | B                    | C         | D                  | E   | F   | G  | H  | I   |
|----|----------------------|-----------|--------------------|---|---|--|--|---|
|    | MIPR Number          | MIPR Date | Appropriation Code | Appropriation Name and MIPR Description   | DoD Agency Issuing MIPR   | Contract Action No.  | Contract Action Date   | Potential ADA Amount  |
| 34 | V4054062280312       | 9/12/06   | 1761804            | Navy FY06 O&M<br><br>Anti-terrorism force protection gear and equipment   | Riverine Group One, Norfolk, Virginia   | GSA FSS Order 66461<br>GSA FSS Order 66462<br>GSA FSS Order 66985<br>GSA FSS Order 66988<br>GSA FSS Order 67042<br>GSA FSS Order 67044<br>Open Market Contract 66529<br>Open Market Contract 66530<br>Open Market Contract 66572<br>Open Market Contract 66573<br>Open Market Contract 66587<br>Open Market Contract 66677<br>Open Market Contract 66708 | 10/25/06<br>10/25/06<br>01/03/07<br>01/03/07<br>01/22/07<br>01/22/07<br>10/25/06<br>10/25/06<br>11/14/06<br>11/14/06<br>11/14/06<br>11/14/06<br>11/28/06 | 18,522.00<br>121,318.75<br>11,940.00<br>6,805.51<br>41,256.00<br>26,596.66<br>6,525.00<br>8,725.62<br>64,000.00<br>25,207.00<br>8,270.00<br>5,626.36<br>83,401.80 |
| 35 | DSIA60228            | 9/8/06    | 9760100            | OSD Defense-Wide FY 2006 O&M<br><br>To provide funding for support to multiple new task forces for the Defense Science Board. The scope of work for each delivery order is prescribed in detail in a statement of work specific to each project | OUIS (AT&L)ARA/Studies Program Office, 4850 Mark Center Drive Room 9606, Alexandria, VA         | GSA FSS Order 66321  | 11/08/06   | 157,531.38  |
| 36 | F1DT866236GC01       | 8/24/06   | 5743080            | Air Force FY 2004 Other Procurement<br>COOP network and MBITR radios  | HQ Air Force Office of Special Investigations, 1535 Command Dr, Andrews AFB, Maryland           | GSA FSS Order 66417  | 11/01/06   | 1,150,074.30  |
| 37 | F1DT866236GC07       | 8/24/06   | 5763400            | Air Force FY 2006 O&M<br>HSPD-12 compliance hardware and software   | HQ Air Force Office of Special Investigations, 1535 Command Dr, Andrews AFB, Maryland           | GSA FSS Order 66417  | 11/01/06   | 8,486.70  |
| 38 | F2BDEC628G001        | 8/14/06   | 5753600            | Air Force FY 2005 research, development, test, and evaluation<br>Funding provided to support GCSS-AF program for the purchase   | 643rd ELSS/ID, 45 Arnold Street, Hanscom AFB, Massachusetts                                     | GSA FSS Order 66987  | 01/08/07   | 70.76   |
| 39 | F2BDEC6265G002       | 9/22/06   | 5743080            | Air Force FY 2004 Other Procurement<br>Funds provided to support GCSS-AF program purchases  | HQ OSSW/EISS/ID, 45 Arnold St, Hanscom AFB, Massachusetts                                       | GSA FSS Order 66987  | 01/08/07   | 406,935.35  |
| 40 | L76ZKA60012          | 5/1/06    | 9760100            | OSD Defense-Wide FY 2006 O&M<br>FY 06 logistics transformation funding. Funds will support the contracted efforts for the Government administration of military postal services   | Defense Logistics Agency, Fort Belvoir, Virginia  | GSA FSS Order 62500  | 11/17/06   | 296,338.88  |
| 41 | M0008006RQDD036/0002 | 9/11/06   | 1761106            | Marine Corps FY 2006 O&M<br>IT Hardware, software and consumable items  | Headquarters, United States Marine Corps, Federal Office Building #2, Navy Annex, Washington DC | GSA FSS Order 66820  | 12/21/06   | 109,856.85  |

Potential Antideficiency Act Violations Identified at GovWorks

| A                              | B               | C         | D                  | E  | F  | G  | H                        | I                            |
|--------------------------------|-----------------|-----------|--------------------|--|--|--|--------------------------|------------------------------|
|                                | MIPR Number     | MIPR Date | Appropriation Code | Appropriation Name and MIPR Description  | DoD Agency Issuing MIPR  | Contract Action No.                            | Contract Action Date     | Potential ADA Amount         |
| 42                             | MIPR6MCGIR0148  | 9/13/06   | 2162020            | Army FY 2006 O&M<br><br>Two J2EE programmers to provide programming support  | HQ USMEPCOM, 2834 Green Bay Road, North Chicago, Illinois  | GSA FSS Order 66268                            | 12/01/06                 | 288,461.54                   |
| 43                             | MIPR6MCOURT184  | 9/22/06   | 2162020            | Army FY 2006 O&M<br><br>Design, equipment, and installation of a courtroom evidence presentation system and video teleconferencing system at Fort Campbell, KY | U.S. Army Legal Services Agency, 901 North Stuart Street, Suite 700, Arlington, Virginia                 | GSA FSS Order 66473                            | 11/27/06                 | 174,992.86                   |
| 44                             | N0007406MPQD017 | 8/10/06   | 9760100            | OSD Defense-Wide FY 2006 O&M<br><br>To procure and install furniture for modular trailer facilities, building 624  | Naval Special Warfare Command, 2000 Trident Way, building 624, San Diego, California                     | GSA FSS Order 66856                            | 12/07/06                 | 281,727.18                   |
| 45                             | N6258306MPNF175 | 9/21/06   | 1761804            | Navy FY 2006 O&M<br><br>Body armor and/or tactical gear  | Naval Facilities Expeditionary Logistics Center, 1000 23rd Ave, Building 1000, Port Huenceme, California | GSA FSS Order 66597<br><br>GSA FSS Order 66683 | 11/14/06<br><br>11/28/06 | 100,940.50<br><br>103,500.00 |
| 46                             | N6258306MPNF176 | 9/22/06   | 1761804            | Navy FY 2006 O&M<br><br>Body armor and/or tactical gear  | Naval Facilities Expeditionary Logistics Center, 1000 23rd Ave, Building 1000, Port Huenceme, California | GSA FSS Order 66597<br><br>GSA FSS Order 66683 | 11/14/06<br><br>11/28/06 | 87,600.00<br><br>429,040.00  |
| 47                             | N6260406MP001GV | 9/19/06   | 1761804            | Navy FY 2006 O&M<br><br>Furniture and equipment for replacement of hurricane damaged material at NCBC Gulfport, MS   | Commander, Navy Installations, 2713 Mitscher Road, SW, Washington, DC                                    | GSA FSS Order 66452                            | 12/15/06                 | 145,251.54                   |
| Total Amount of Potential ADAs |                 |           |                    |  |  |  | 50,975,933.51            |                              |
| Total Number of Potential ADAs |                 |           |                    |  |  |  | 336                      |                              |

|  |
|--|
| <b>Legend</b>  |
| GSA Federal Supply Schedule Orders                     |
| Purchase Card  |
| BPA/Purchase Order (Simplified Acquisition Procedures) |
| Single Award IDIQ Contract                             |
| Modification   |
| New Definitive Contract                                |
| Potential ADAs That Occurred After October 16, 2006    |

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## **Appendix G. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense for Acquisition, Technology, and Logistics  
    Director, Defense Procurement and Acquisition Policy  
    Director, Acquisition Resources and Analysis  
Under Secretary of Defense (Comptroller)/Chief Financial Officer  
    Deputy Chief Financial Officer  
    Deputy Comptroller (Program/Budget)  
Director, Program Analysis and Evaluation

### **Department of the Army**

Assistant Secretary of the Army (Financial Management and Comptroller)  
Auditor General, Department of the Army

### **Department of the Navy**

Assistant Secretary of the Navy (Financial Management and Comptroller)  
Assistant Secretary of the Navy (Research, Development and Acquisition)  
    Deputy Assistant Secretary of the Navy for Acquisition Management  
Naval Inspector General  
Auditor General, Department of the Navy

### **Department of the Air Force**

Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Auditor General, Department of the Air Force  
Assistant General Counsel, Acquisition Integrity Office

### **Other Defense Organizations**

Director, Defense Contract Audit Agency  
Director, Defense Finance and Accounting Service  
Director, Defense Logistics Agency



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## **Non-Defense Federal Organizations**

Office of Management and Budget  
Director, Federal Procurement Policy  
Chairman, Acquisition Advisory Panel  
Secretary, Department of the Interior  
Director, National Business Center  
Associate Director, GovWorks  
Inspector General, Department of the Interior

## **Congressional Committees and Subcommittees, Chairman and Ranking Minority Member**

Senate Committee on Appropriations  
Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Homeland Security and Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on Defense, Committee on Appropriations  
House Committee on Armed Services  
House Committee on Oversight and Government Reform  
House Subcommittee on Government Management, Organization, and Procurement,  
Committee on Oversight and Government Reform  
House Subcommittee on National Security and Foreign Affairs, Committee on  
Oversight and Government Reform



# Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics Comments

Final Report  
Reference



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE  
3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

FEB 08 2008

## MEMORANDUM FOR PROGRAM DIRECTOR ACQUISITION AND CONTRACT MANAGEMENT

THROUGH: DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS *ns 2/13/08*


SUBJECT: Response to DoDIG Draft Audit Report on "FY 2006 and FY 2007 DoD  
Purchases Made Through the Department the Interior," (Project No. 2007-  
1000CI-0039.000)

Thank you for the opportunity to comment on the subject draft report. On January 18, 2008, the Director, Defense Procurement and Acquisition Policy, issued a policy memo on Interagency Acquisition (attached) that addresses many of the concerns raised in previous audit reports issued by the DoDIG.

**Recommendation A:** We recommend that Acquisition Executives for the Army, Navy, Air Force, and Defense Agencies make program and contracting officers aware of any recurring deficiencies in the development of independent Government cost estimates, price negotiation memorandums, and use of time-and-materials contracts, and implement an enforcement program that prevents future deficiencies in those areas.

**Response:** Concur. The Department will work with the Military Departments and Defense Agencies to address long-term solutions to the recommendations included in Recommendation A above.

My POC is Mr. Michael Canales. He can be reached at (703) 695-8571 or via e-mail at [michael.canales@osd.mil](mailto:michael.canales@osd.mil).

  
Shay D. Assad  
Director, Defense Procurement  
and Acquisition Policy

Attachment:  
As stated

Omitted  
because of  
length.



# Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer Comments



COMPTROLLER

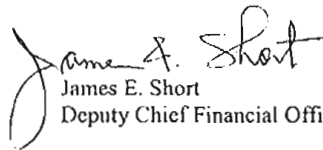
OFFICE OF THE UNDER SECRETARY OF DEFENSE  
1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

MEMORANDUM FOR PROGRAM DIRECTOR, DEFENSE FINANCIAL AUDITING  
SERVICE, OFFICE OF INSPECTOR GENERAL,  
DEPARTMENT OF DEFENSE

SUBJECT: Draft Audit Report, "FY 2006 DoD Purchases Made Through the  
Department of the Interior," (Project No. D2007-D000CF-0039.000)

This memo is in response to the subject November 23, 2007, draft report provided to this office for review and comment. Our response to the audit report recommendation directed to the Under Secretary of Defense (Comptroller)/Chief Financial Officer is attached.

We appreciate the opportunity to respond to your draft audit report and look forward to resolving the cited issue. My point of contact is Ms. Kathryn Gillis. She can be contacted by telephone at 703-697-6875 or e-mail at [kathryn.gillis@osd.mil](mailto:kathryn.gillis@osd.mil).

  
James E. Short  
Deputy Chief Financial Officer

Attachment:  
As stated

cc:  
OGC(F)  
USD(AT&L)

Attachment 1  
Response to Draft Audit Report Recommendations

Office of the Inspector General (OIG), Department of Defense (DoD)  
"FY 2006 DoD Purchases Made Through the Department of the Interior"  
OIG Project No. D2007-D000CI-0039.000

OIG Recommendation B. We recommend that the Under Secretary of Defense Comptroller/Chief Financial Officer recover advance payments made to GovWorks that have not been expended.

OSD Response. Concur. The U.S. Department of Interior was notified in February 2007 of the Department's advance policy and the requirement to return all existing advancements. As a result of these types of reconciliation efforts, the Department of Interior deobligated and returned \$209.5 million during FY 2007. We consider this action closed.

# Department of the Navy Comments



DEPARTMENT OF THE NAVY  
OFFICE OF THE ASSISTANT SECRETARY  
RESEARCH, DEVELOPMENT AND ACQUISITION  
1000 NAVY PENTAGON  
WASHINGTON DC 20350-1000

January 24, 2008

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR ACQUISITION  
AND CONTRACT MANAGEMENT, DOD INSPECTOR  
GENERAL

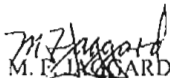
Subj: DRAFT REPORT ON FY2006 AND FY 2007 PURCHASES MADE THROUGH  
THE DEPARTMENT OF THE INTERIOR (PROJECT NO. D2007-D000CF-  
0039.000)

Ref: (a) DoDIG(ACM) memorandum of November 23, 2007

In response to reference (a), we reviewed the subject draft report and provide the following comment:

Draft Recommendation A: We recommend that the Acquisition Executives for the Army, Navy, Air Force and Defense agencies make program and contracting offices aware of any recurring deficiencies in the development of independent Government cost estimates, price negotiation memorandums, and use of time and material contracts, and implement an enforcement program that prevents future deficiencies in those areas.

Concur in principle. We will continue to make program and contracting offices aware of the issues in interagency contracting and reiterate the need to improve independent Government cost estimates. However, under the Federal Acquisition Regulation, selection of contract type and preparation of price negotiation memoranda are responsibilities of the contracting officer at the assisting agency. Enforcement programs in these areas are the responsibility of the Department of the Interior. DoDIG concerns in these areas should be shared with the Department of the Interior Inspector General.

  
M. E. FUGARD

Chief of Staff/Policy for  
Deputy Assistant Secretary of the Navy  
(Acquisition and Logistics Management)

Copy to:  
NAVINSGEN



# Department of the Air Force Comments



DEPARTMENT OF THE AIR FORCE  
WASHINGTON, DC

OFFICE OF THE ASSISTANT SECRETARY

08 JAN 2008

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL  
ATTN: DEPUTY INSPECTOR GENERAL FOR AUDITING

FROM: SAI/AQC

SUBJECT: Air Force Response to Department of Defense Inspector General (DoDIG)  
Draft Report, Project No. D2007-D000CF-0039.000, FY 2006 and FY 2007  
Purchases Made Through the Department of the Interior

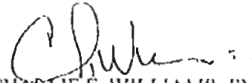
This is in reply to your memorandum requesting that the Assistant Secretary of the Air Force provide comments on the subject draft report, dated 23 November 2007. We have reviewed the subject report, which contains a recommendation that covers contracting areas. This memorandum does not address recommendations that are the responsibility of the USIX(AT&L), USD(Comptroller)/Chief Financial Officer, and Acquisition Executives for the Army, Navy, and Defense agencies. Response to Recommendation A for the Assistant Secretary of the Air Force for Acquisition is found below:

**DoDIG Recommendation A:** The Acquisition Executive for the Air Force make program and contracting offices aware of any recurring deficiencies in the development of independent Government cost estimates, price negotiation memorandums, and use of time and material contracts, and implement an enforcement program that prevents future deficiencies in those areas:

**Air Force Response:** Concur. On 16 August 2007, the Principal Deputy Assistant Secretary of the Air Force (Financial Management) and the Assistant Secretary of the Air Force (Acquisition) issued a joint memorandum entitled "Air Force Purchases Using Military Interdepartmental Purchase Requests (MIPRs)." This guide: 1) places ultimate responsibility on requiring activity program and project managers to manage requirements through the MIPR life cycle, 2) clearly defines key players' role and responsibilities, 3) mandates use of automated systems to process and track MIPRs, 4) implements DoD policy on advance payments to assisting agencies, 5) mandates contracting office review on MIPRs resulting in contract actions; 6) provides detailed accounting procedures to ensure proper funds control; and 7) mandates special requirements for MIPRs regarding expiring funds. On 5 October 2007, I issued a Policy Memo entitled "DoD-Wide Prohibition to Order, Purchase, or Otherwise Procure Property or Services in an Amount in Excess of \$100,000 through the GovWorks Federal Acquisition Center of the Department of the Interior's National Business Center" in response to Under Secretary of Defense (Acquisition, Technology, and Logistics) policy memo, dated 14 June 2007, same subject. Finally, additional procedures have been implemented to ensure prevention of documentation deficiencies. These procedures

include both pre-award and post-award activities. Pre-award activities include: 1) financial management oversight; 2) procuring contracting officer and negotiator training; 3) higher level reviews within the contracting chain; and 4) legal reviews. Post-award activities include annual self inspections are conducted by each buying office in accordance with AFMC/PK Policy Memorandum dated 2 May 2005, entitled "Minimum Standards for Self Inspection. Action completed.

Questions may be directed to Ms. Karen Fischetti, SAF/AQCP, commercial (703) 588-7071 or DSN 425-7071.



CHARLIE E. WILLIAMS, JR.  
Deputy Assistant Secretary (Contracting)  
Assistant Secretary (Acquisition)

## **Team Members**

The Department of Defense Office of the Deputy Inspector General for Auditing, Acquisition and Contract Management, prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

Richard B. Jolliffe  
Terry L. McKinney  
Kent E. Shaw  
Robert E. Bender  
LaNita C. Matthews  
Karen A. Ulatowski  
Luke D. Penskar  
Jillisa H. Milner



# Inspector General Department of Defense